

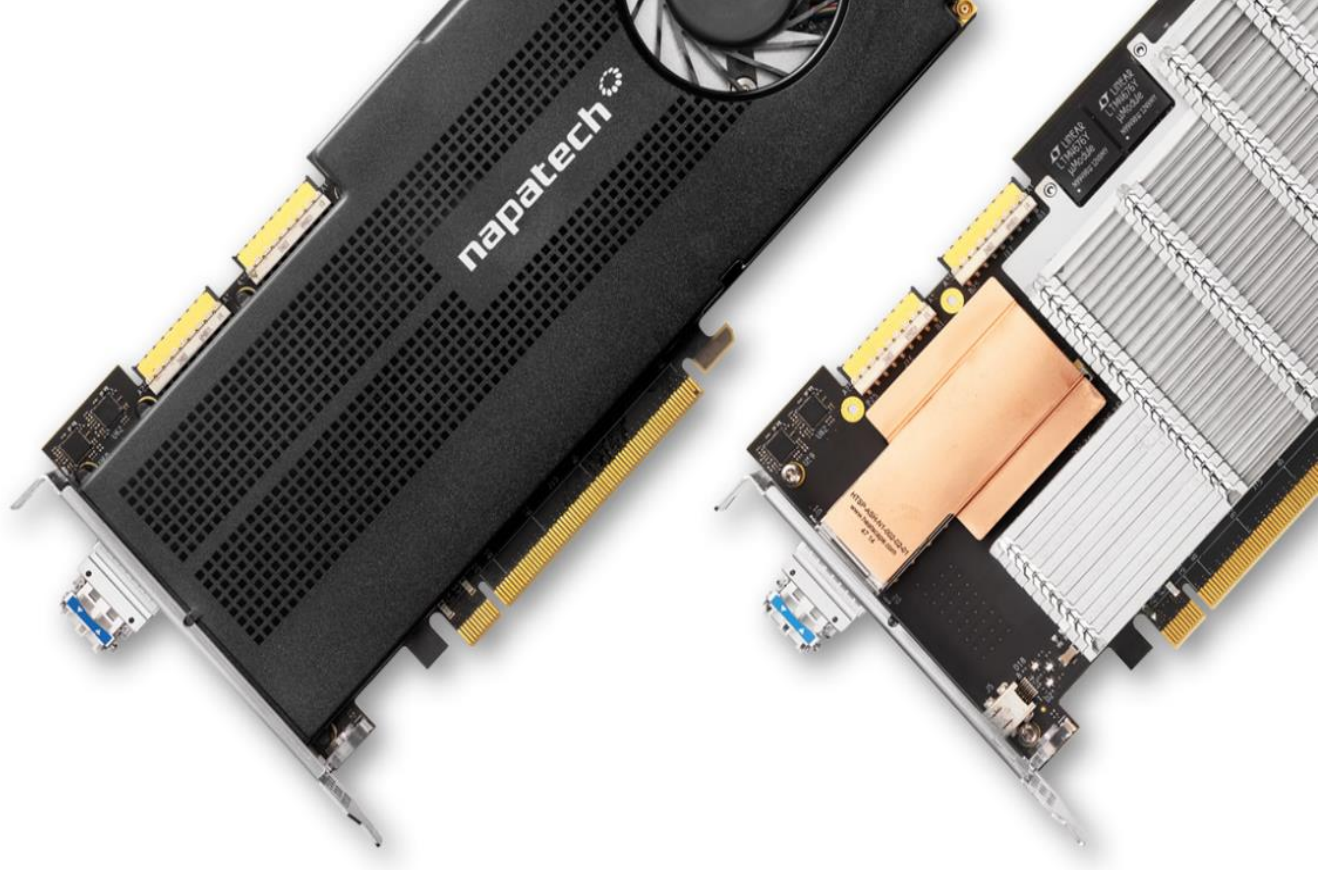
# Napatech

## Q1 2017 presentation

May 9, 2017

Henrik Brill Jensen, Chief Executive Officer





# Napatech Q1 2017 Financials

# Financial Highlights

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USD sales in Q1 2017 was 8.2 MUSD

- 17% increase compared to Q1 2016

Revenue in Q1 2017 was 57.6 MDKK

- 24% increase compared to Q1 2016

Gross margin in Q1 2017 was 73%

- Compared to 73% for Q1 2016

EBITDA in Q1 2017 was 9.4 MDKK

- 3.2 MDKK increase compared to Q1 2016
- 16% EBITDA margin Q1 2017

EBIT in Q1 2017 was (0.1) MDKK

- Improvement from (2.3) MDKK in Q1 2016

EPS in Q1 2017 was (0.07) DKK

- Improvement from (0.19) DKK in Q1 2016

Cash and cash equivalents at 47.0 MDKK

- In line with 47.0 MDKK in Q4 2016
- Net cash at 42.0 MDKK by end of Q1 2017



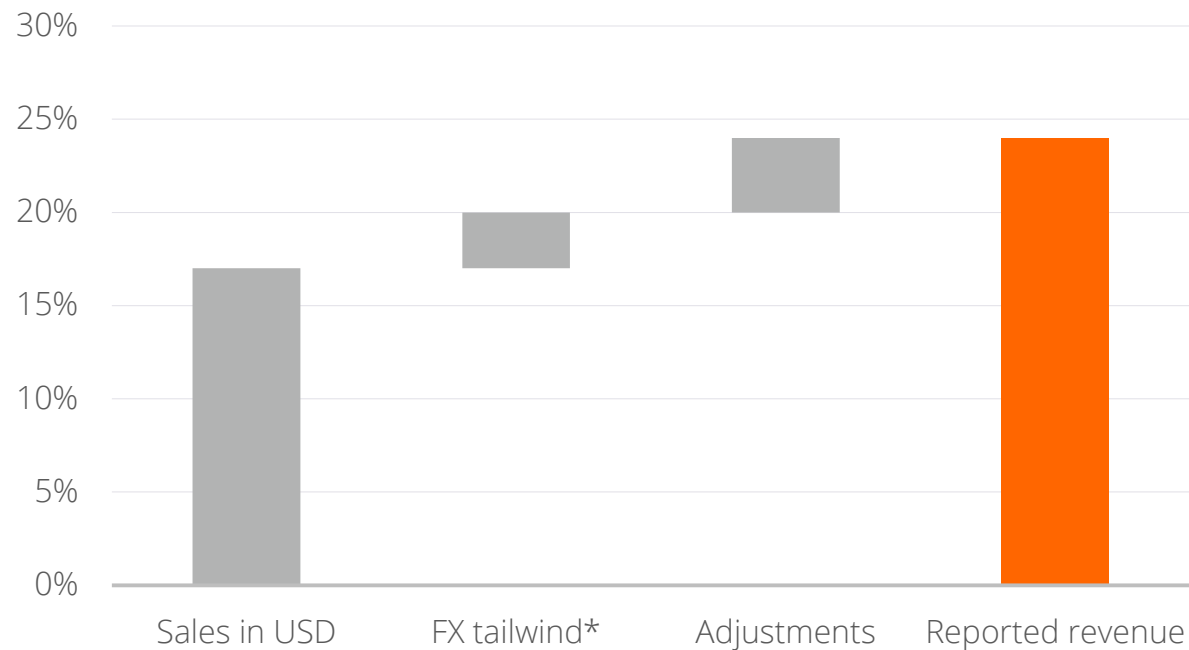
# Financial Results Q1 2017

(Figures in MDKK)	Q1 2017	Q4 2016	Q1 2016
Revenue	57.6	92.3	46.3
Growth YoY*	24%	32%	7%
Gross Margin	73%	66%	73%
EBITDA	9.4	28.0	6.2
EBIT	(0.1)	17.7	(2.3)
Cash flow from operating activities	14.9	5.7	8.6
Cash and cash equivalents, end of quarter	47.0	47.0	69.8

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

# Q1 2017 Revenue

## Sales and Revenue Growth (YoY)



\* Based on average rates

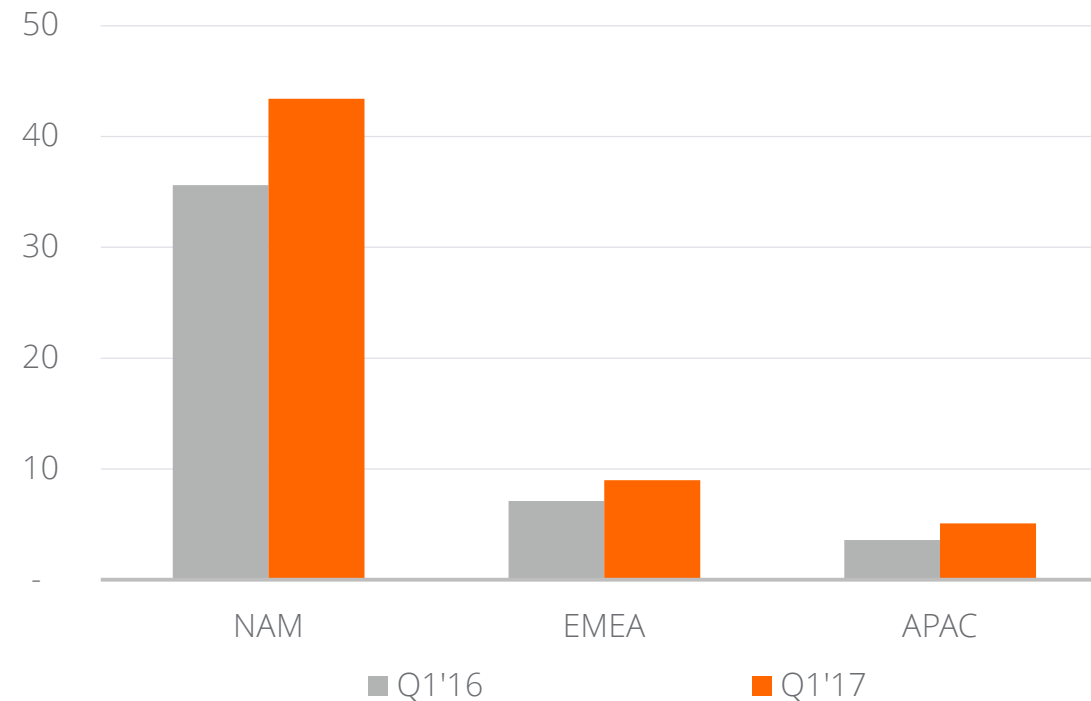
### Influencing factors:

- 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 compared to the previous year

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

# Growth in All Regions

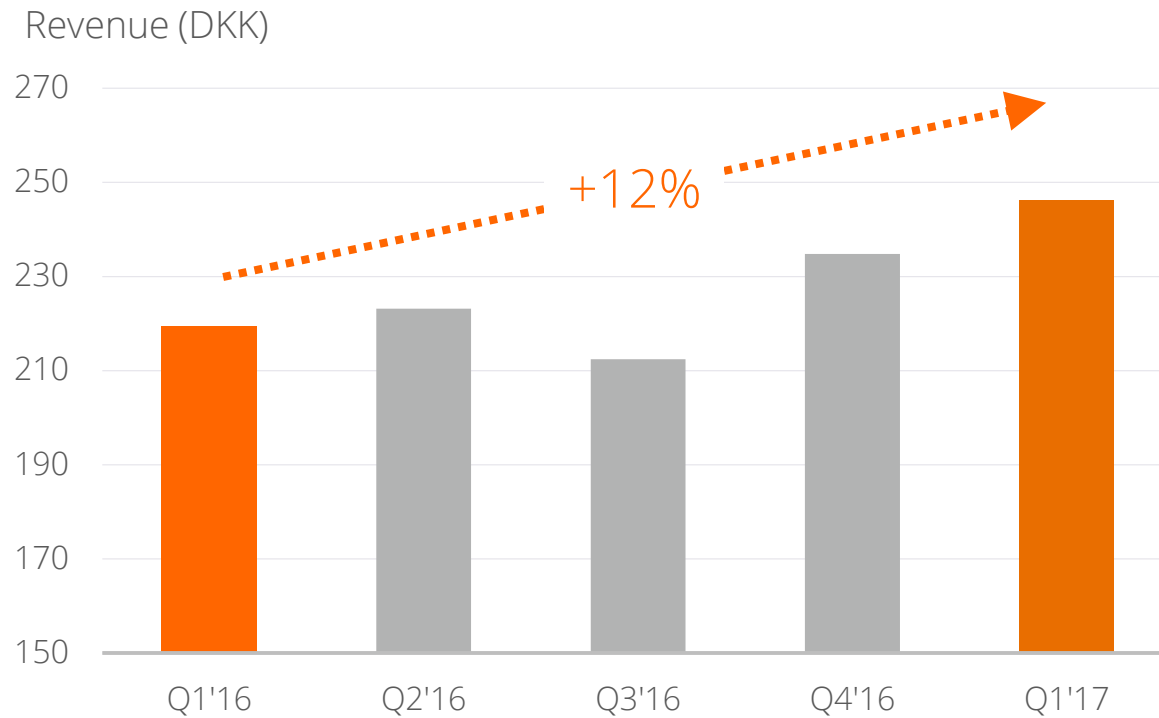
Quarterly revenue in MDKK



## Geographical split:

- North America showed a growth of 22% compared with Q1 2016
- EMEA showed a growth of 27% driven by ramp-up of design wins secured in 2016
- APAC showed a growth of 43% due to timing of projects in the region's sale

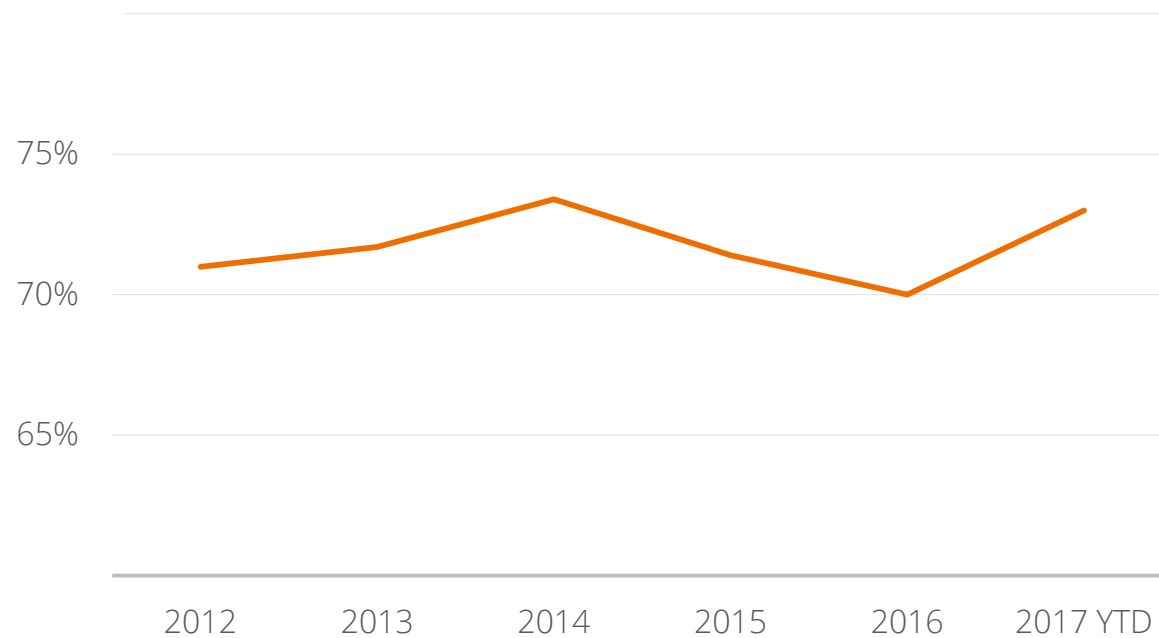
# Last Twelve Months Rolling Revenue



EBITDA (LTM):  
**+28%**

# Gross Margin Development

Gross Margin



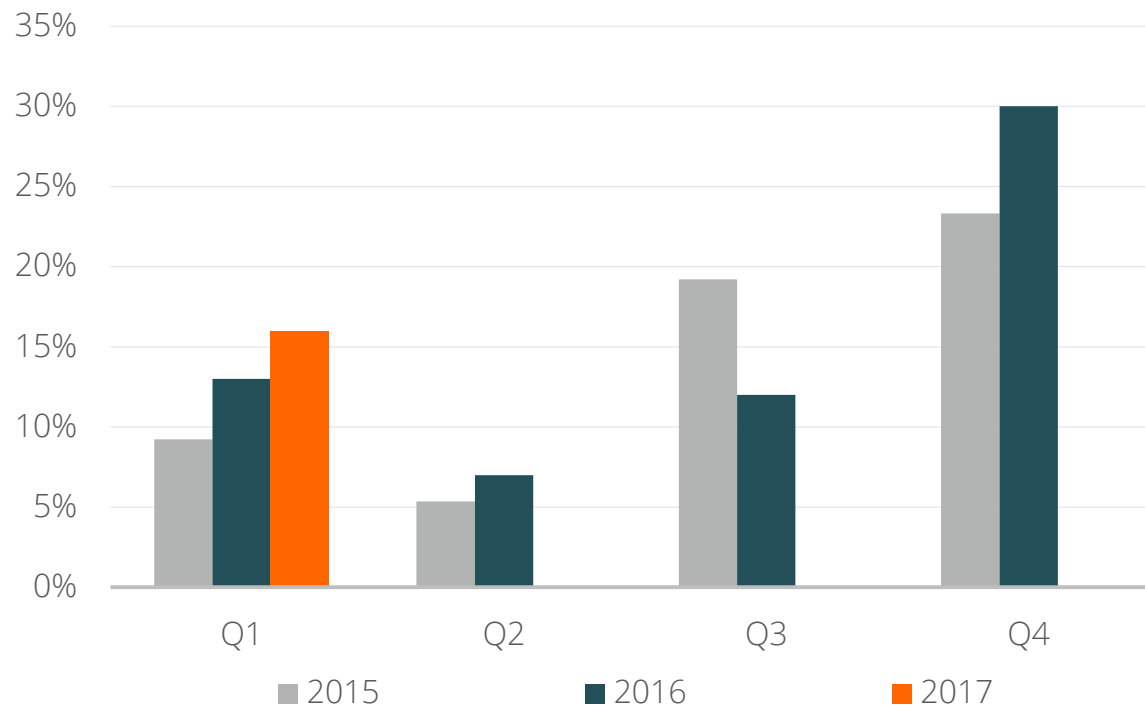
## Gross margin development:

- The gross margin in Q1'17 is at 73%, in line with Q1 2016
- As previously stated, the margin will fluctuate with the actual product mix realized for the period



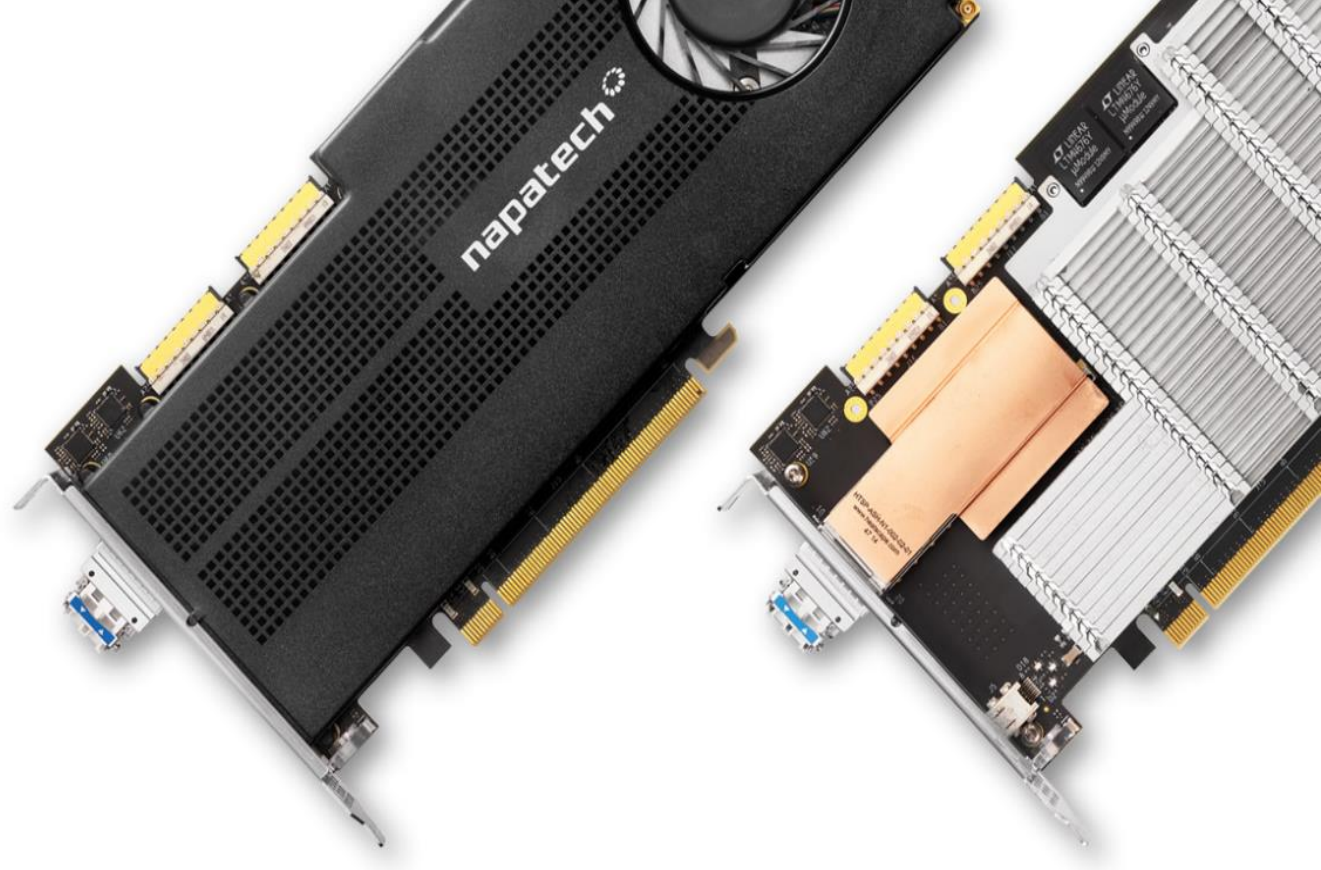
# EBITDA Margin

EBITDA Margin



## Q1 2017 EBITDA margin:

- EBITDA margin is higher in Q1 compared to last year. This underlines the high scalability in Napatech's business, as higher revenue driver the EBITDA margin up



This is Napatech

# Napatech in Short

- Napatech helps IT organizations to reimagine their businesses by harnessing the cost, performance, security and innovation benefits of cloud-scale architectures, making them available to every network
- As presented on our CMD in April, Napatech pioneered the use of FPGA-based acceleration hardware and software for networking and security applications. Today, FPGAs are recognized as the preferred technology for SmartNIC designs
- The shift towards cloud networking, 5G mobile, and the Internet-of-things has created a pervasive need for SmartNIC solutions across a wide range of new users, in high-growth applications and services, that serve as the catalyst for Napatech's next phase of growth



# Market Trends In Networking and Communications



Cloud  
Computing



5G  
Mobile



Internet of  
things

**4**

BILLION  
Connected People

**25**

MILLION  
Applications

**25**

BILLION  
Embedded Systems

**50**

BILLION  
Devices and Sensors

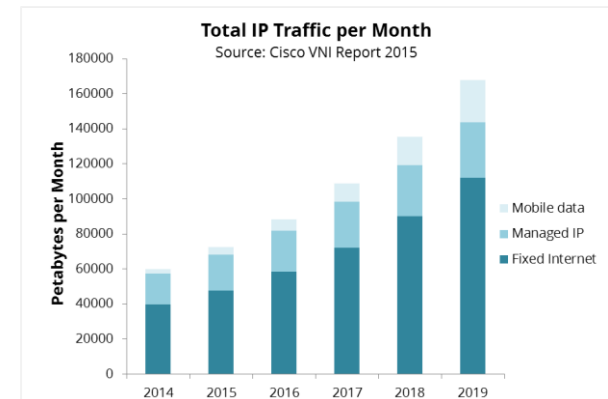
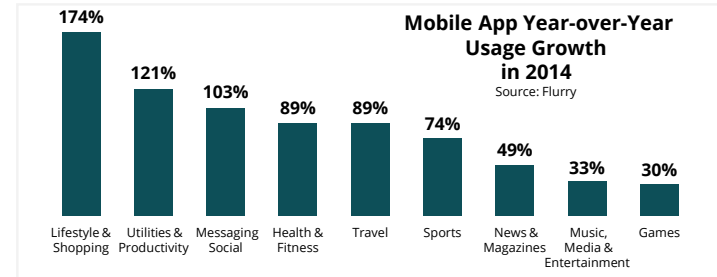
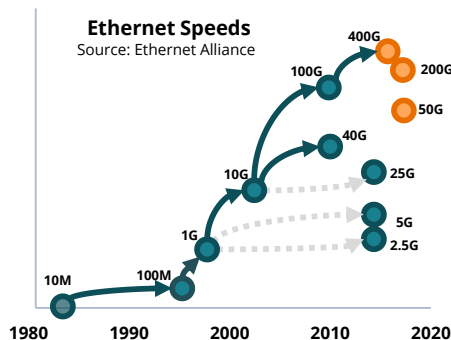
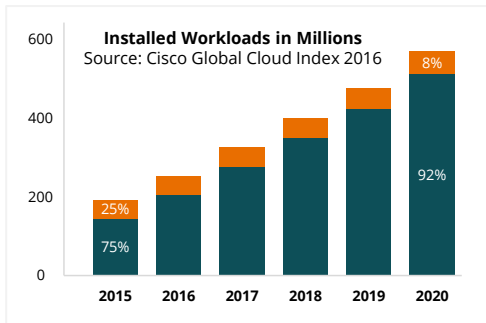
**50**

TRILLION  
Gbps of Data

By 2020

Source: IDC

# Fundamental Need Of All Internet Users Stay Connected And Be Secure



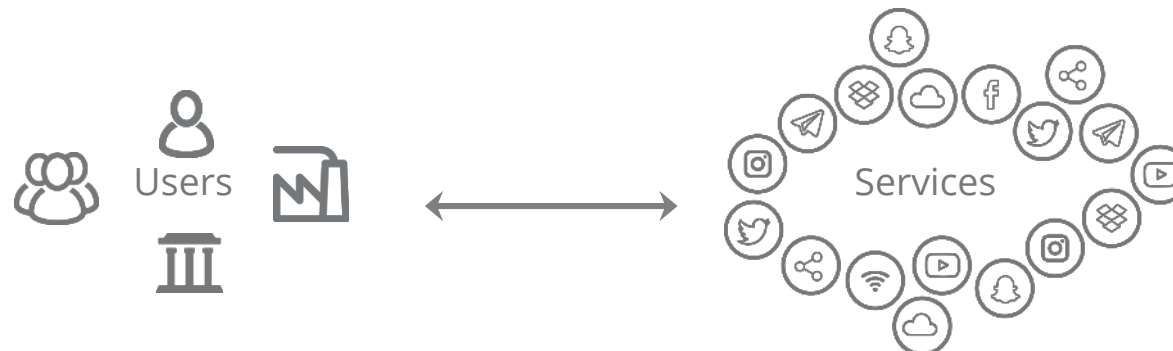


# Applications Separate From User Services Not Part Of The Data Delivery Path To The User

Network management  
applications ensuring users  
stay connected



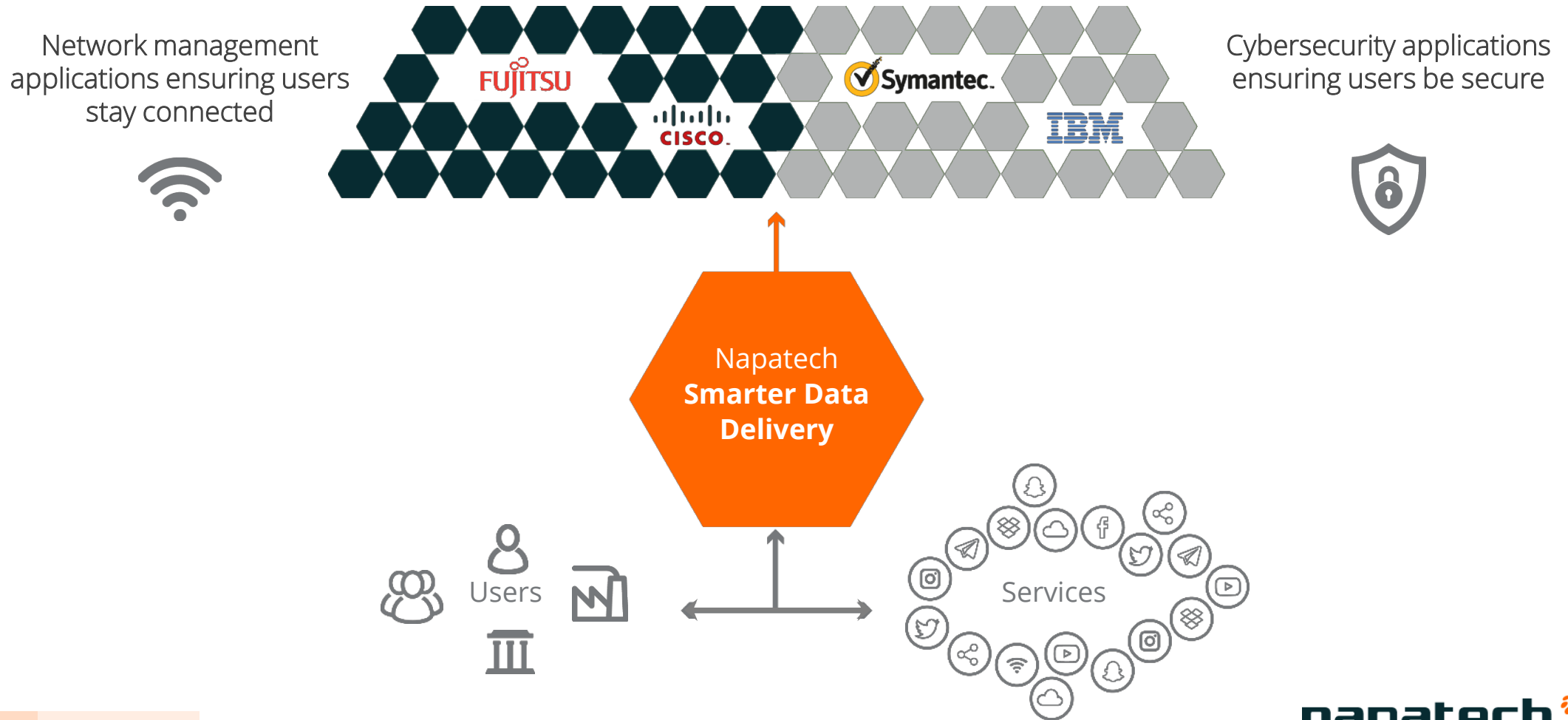
Cybersecurity applications  
ensuring users be secure





# Napatech Smarter Data Delivery Solutions

## Ensure Delivery Of 100% Reliable Data For Analysis



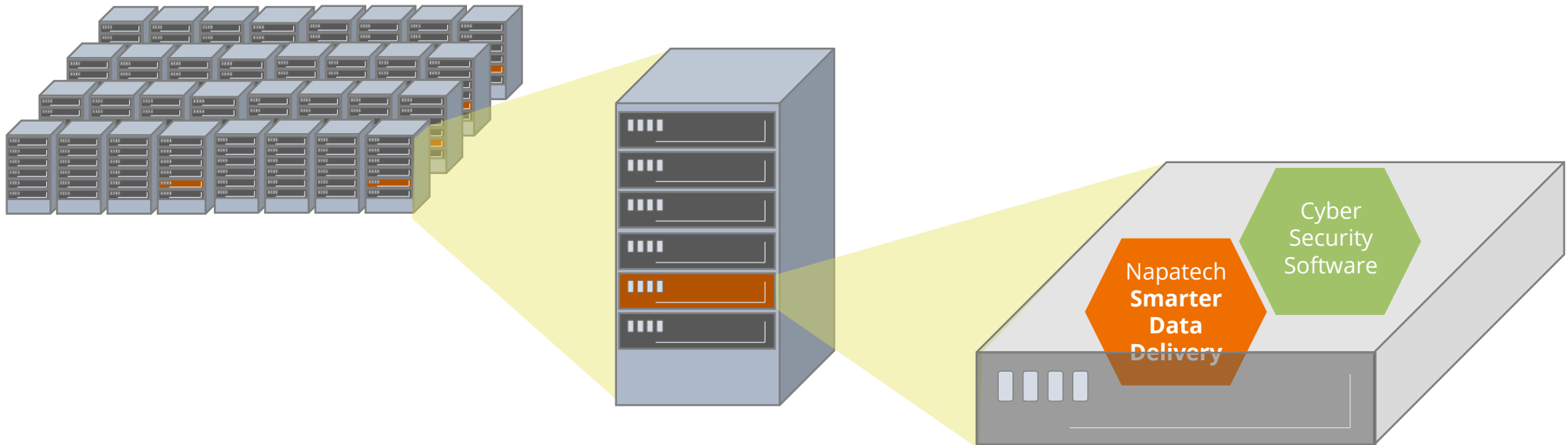
# Napatech Smarter Data Delivery Solutions

## How are They Deployed?

Typical Datacenter  
With thousands of servers  
supporting user services

Some servers dedicated to  
network management and  
cybersecurity software

Napatech ensures reliable  
data delivery to these  
application servers



# SmartNIC Platform Portfolio

## Application Store (Future)

Open Source

Commercial

## Application Engines

PANDION  
Recorder

Compression

Open Source  
Community

Futures  
Encryption, Search...

## Software (FPGA, driver, APIs)



Virtualization  
(OVS Offload)



In-line  
(Fast Path)



Recorder  
(100% Capture)

## Hardware

XS

S

M

L

XL

## Professional Services

Technical Support

Assessment Services

Co-Creation Programs

# Customer Case: Safeguard IT From Cyber Threats Investigate any Security Event – 90 Days Back!



## The Challenge

To safeguard their enterprise IT from cyber threats, Facebook needed a solution to capture all data in real time, store them for 90 days for on-demand post-analysis



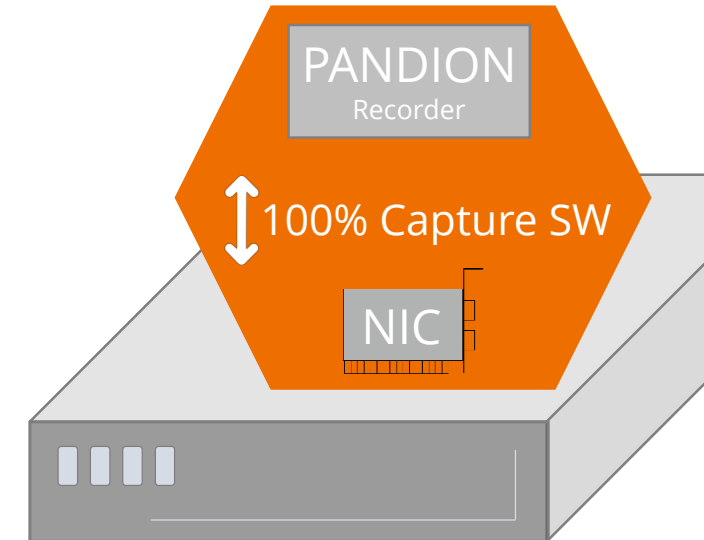
## Solution

Napatech Co-Created a solution that enabled investigation into any security event by integrating our NIC, Capture SW and Pandion Recorder with Facebook's high-capacity storage solution, ensuring 100% data capture, 90 days storage and quick retrieval



## Benefits

- 100% high-speed packet capture
- Ultrafast data retrieval, exceptional performance and reliability
- Seamless integration of the Facebook Storage Area Network and Napatech network recording technology



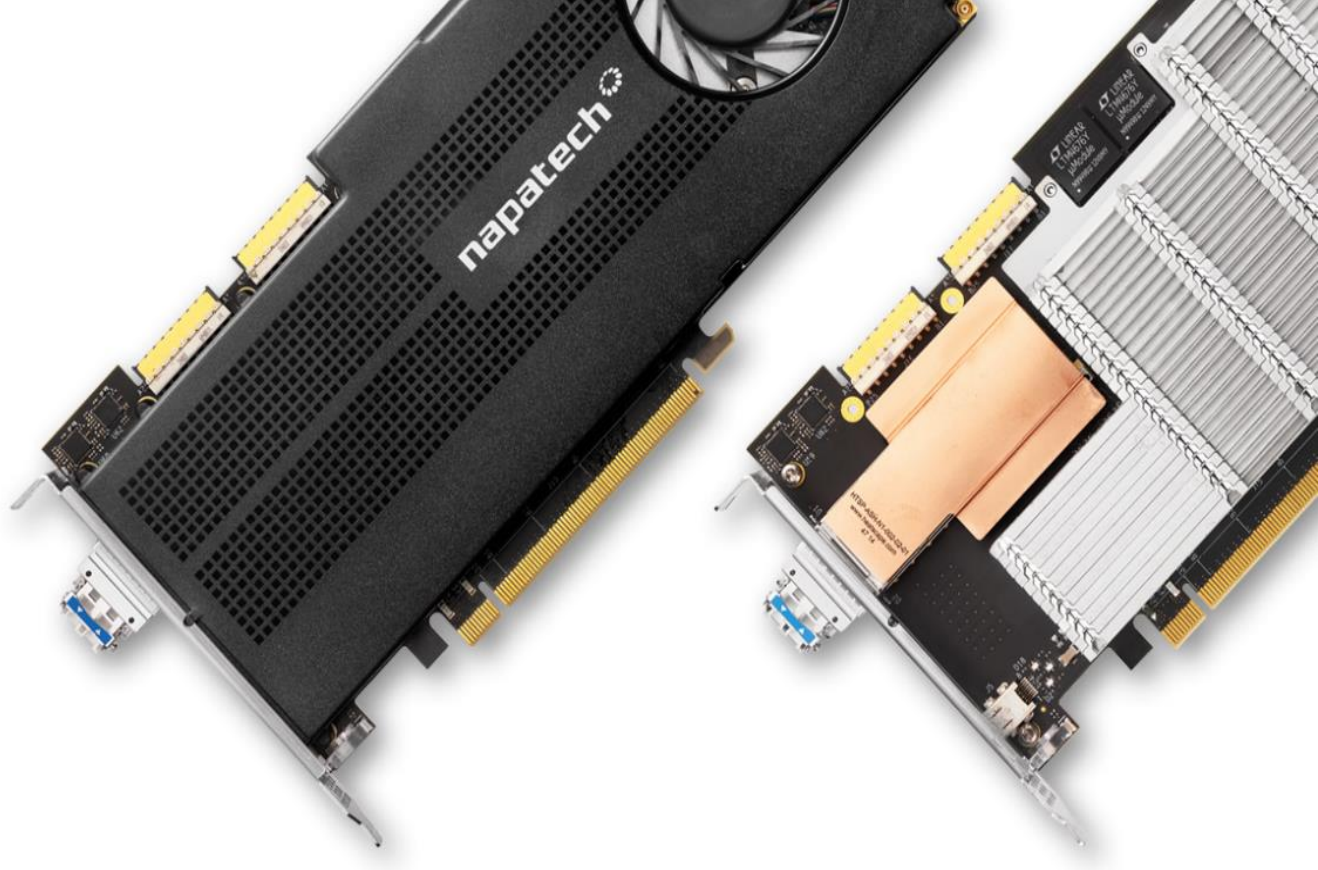
# Networks Are Becoming As Flexible As Computing Clouds The Industry Are Backing Up To The Napatech Dock!

- To support the scale of users, devices, access points, applications, services and bandwidth, all with security – a radical new way of building, designing and operating IT infrastructure is emerging
- As the requirements for networks, that are as flexible as computing clouds, grows – the flexibility of FPGA technology becomes a key part of the cloud-scale networking vision
- Napatech pioneered the use of FPGA-based NICs for networking and is in a unique position to help IT organizations realize the cost and performance benefits of the cloud, with our networking software and hardware solutions – our SmartNIC platform portfolio

Source: [Economist, Print edition: April 12th 2017](#)





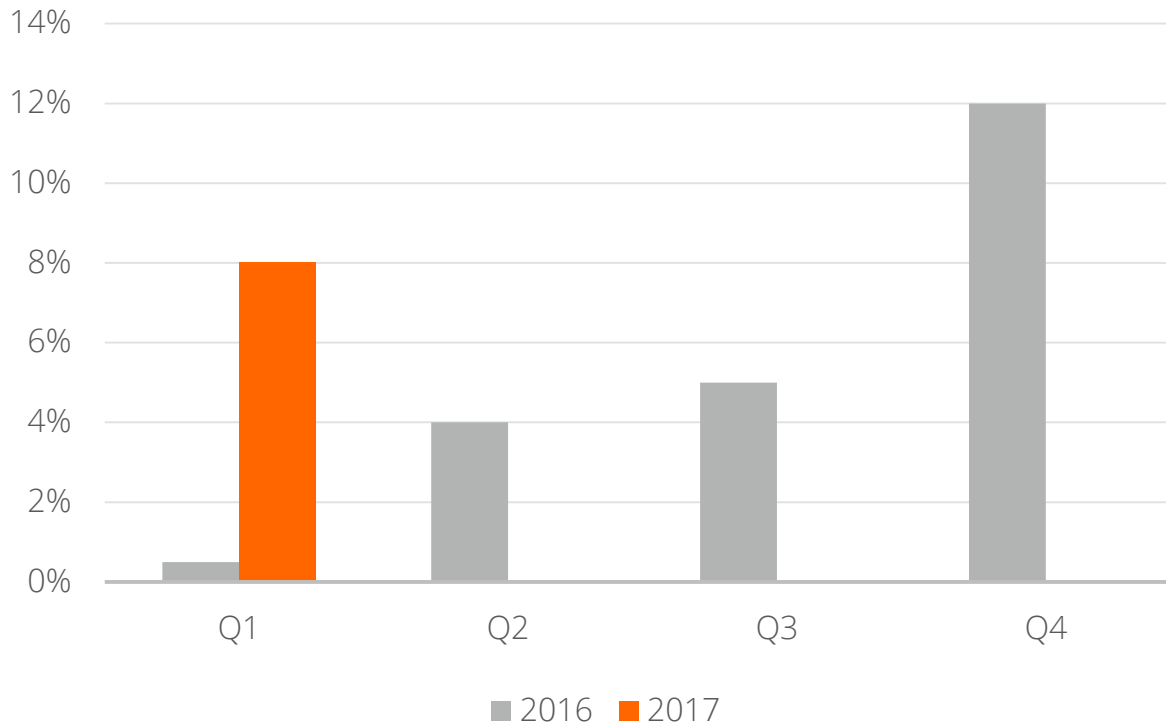


## Business Highlights



# Pandion Progression

Pandion share of sales



## Influencing factors:

- Pandion is a significant growth driver for the coming periods
- Pandion product mix sold:
  - As a recorder solution for system integrators
  - As recorder software and accelerators to OEM customers
  - As a DELL-branded recorder through DELL

Note: Pandion share of sales are measured in USD

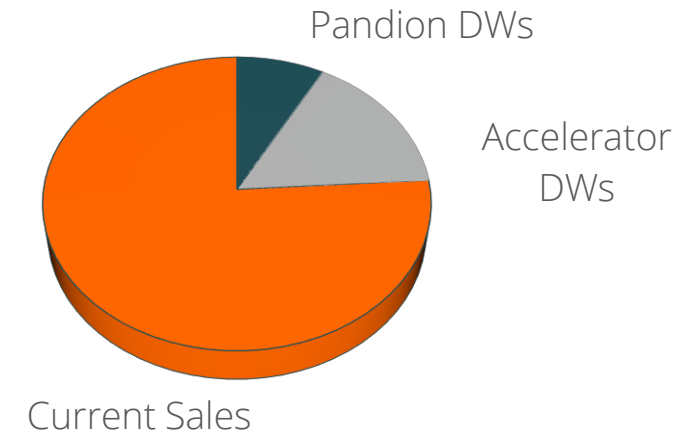
# Recent Design Wins

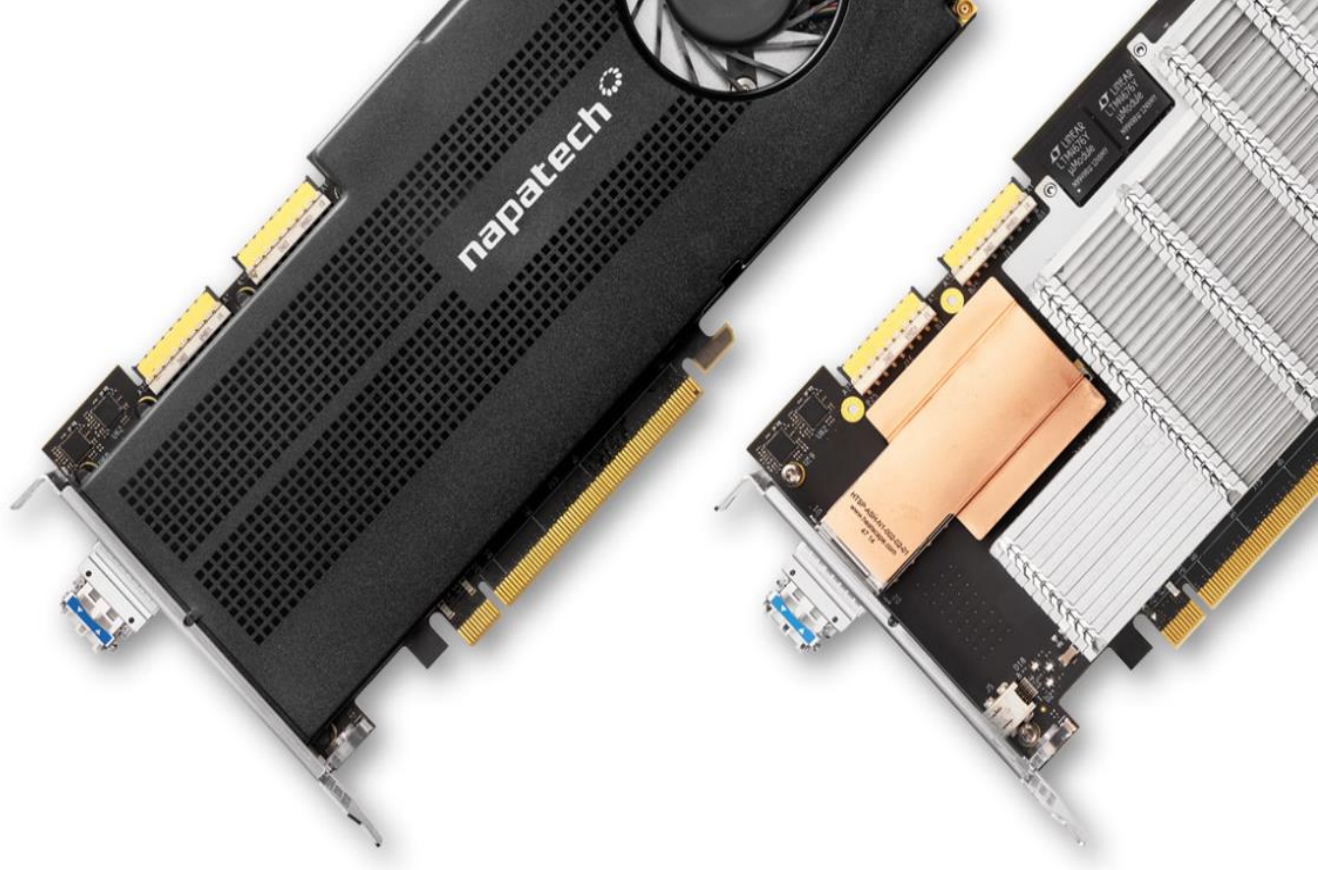
- 100 Gigabit solution for a European customer in the Public Safety vertical for a Cyber Security solution
- 10 Gigabit design win for Japanese Network Monitoring company, for their own branded Network Monitoring solution
- Pandion design win for a North American customer in the Financial vertical for a Regulatory and Compliance solution



# Design-win effect on Q1 Revenue

- Design wins during the last 5 quarters delivered 24% of the overall Q1 2017 revenue
- The Pandion business delivered:
  - 8% of the overall revenue in Q1 is based on design-wins secured in 2016 and 2017
- The Accelerator business delivered:
  - 16% of the overall revenue in Q1 is based on design-wins secured in 2016 and 2017
- Recent design wins and new customers contributed significantly to the growth in Q1 2017 – above design win figures delivered 3x improvement YoY

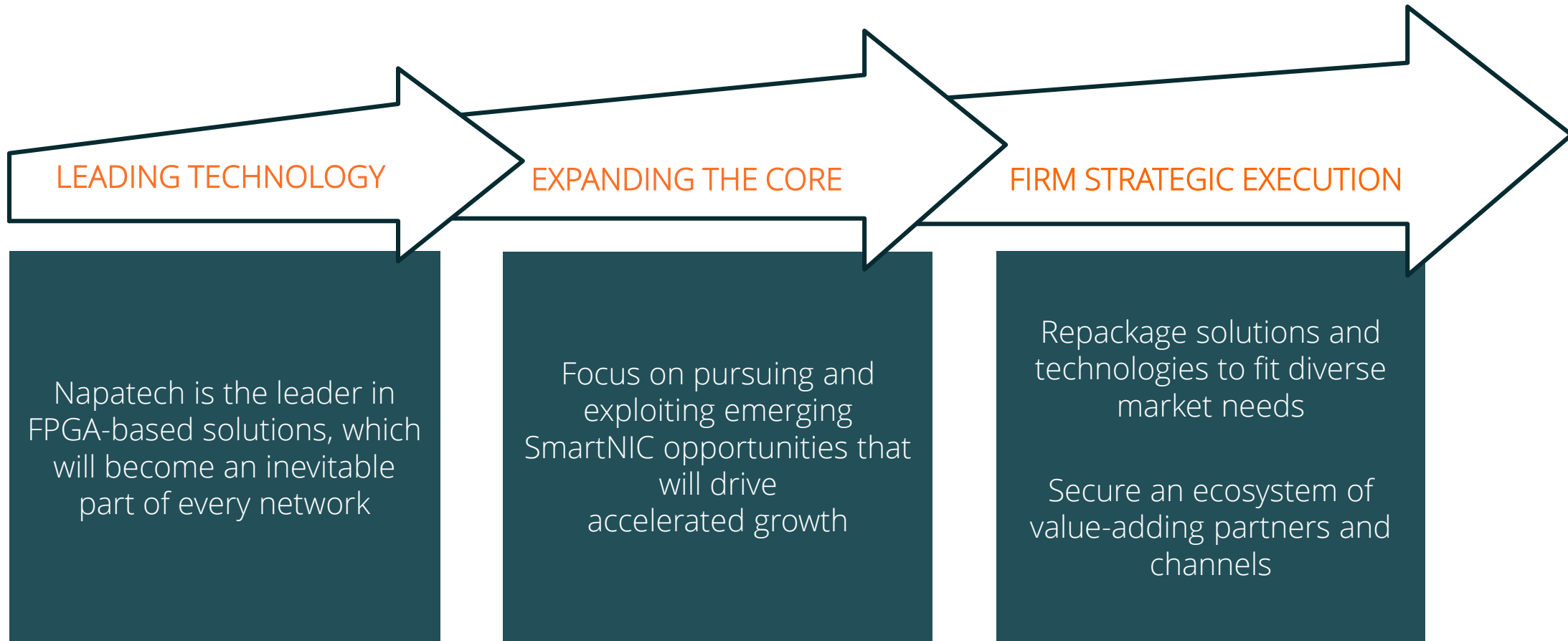




# Outlook

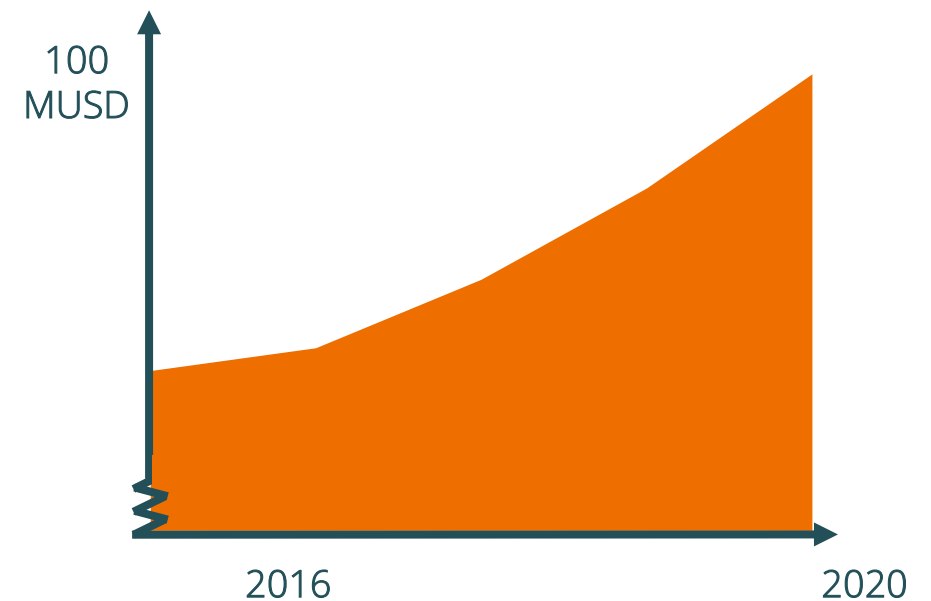
*The Roadmap to 100 MUSD by 2020*

# 2020 Strategy Secured by Strong Technology, Portfolio and Organization



# Accelerated Growth Path Towards 2020

- Robust portfolio of current customers provides strong business foundation and additional growth opportunities
- Catalogue of ongoing co-creation deployments with market leading customers based on strategic relationships
- Emerging SmartNIC opportunities for accelerated growth driven by digital transformation and migration to the cloud



Napatech is in pole-position to continue to deliver state-of-the-art products, software and technology to an ever expanding range of customers



# Management's Outlook

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- Napatech's strategy is to be the #1 vendor of SmartNIC solutions, leading to an ambition of a 100 MUSD top-line by 2020, based on a strong product portfolio powered by leading-edge core technology
- Based on the growth of 8% in 2016, the company expects the profitable revenue growth to continue in 2017, across the business areas
- Short term visibility is limited and will be affected by quarter-to-quarter order fluctuations and general uncertainty
- Napatech is comfortable with an accelerated growth path towards the ambition of 100 MUSD top-line by 2020

## Guidance for 2017:

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

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SmartNICs, IoT, cloud computing, 5G Mobile,  
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# Q&A Session

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