

NAPATECH
1ST QUARTER 2021
INTERIM MANAGEMENT STATEMENT



napa:tech;

MANAGEMENT'S REPORT

Highlights Q1:

- Revenue in USD amounted to 7.6m in Q1 2021 an increase of 6% compared to Q1 2020. In DKK revenue amounted to DKK 46.8m in Q1 2021 a decline of 4% compared to Q1 2020.
- Gross margin in Q1 2021 was 70.0% an increase of 1.2%-points compared to Q1 2020.
- Staff costs and Other external costs in Q1 2021 amounted to DKK 30.4m compared to DKK 33.5m in Q1 2020.
- EBITDAC¹ in Q1 2021 amounted to positive DKK 2.4m compared to positive DKK 0.1m in Q1 2020.
- EBITDA in Q1 2021 amounted to positive DKK 8.8m compared to positive DKK 3.9m in Q1 2020.
- Depreciation, amortization, and impairment for Q1 2021 were DKK 5.2m compared to DKK 5.8m in Q1 2020.
- Net Cash flow from operating activities in Q1 2021 was negative DKK 12.0m compared to positive DKK 3.4m in Q1 2020.
- Net cash used in investing activities in Q1 2021 amounted to DKK 7.0m compared to DKK 3.3m in Q1 2020.

Key figures²:

	Q1 2021	Q1 2020
Revenue USD m	7.6	7.2
Growth YoY USD m	6%	23%
Revenue DKK m	46.8	48.5
Growth YoY DKK m	-4%	27%
Gross Margin	70.0%	68.8%
EBITDAC DKK m	2.4	0.1
EBITDA DKK m	8.8	3.9
Net Cash Flow from Operating Activities DKK m	-12.0	3.4
Net Working Capital, end of period DKK m	26.4	17.8
Cash and cash equivalents, end of period DKK m	40.8	63.7

This is Napatech

Napatech is a Danish tech company developing high-performance, programmable network interface cards and software for programmable NICs. The Napatech software suite ensures broad compatibility and seamless integration for our family of FPGA-based SmartNICs. With support for all major systems and a common API that easily integrates with custom-developed, open source, or commercial applications, we enable significantly reduced time-to-market for new products.

Additional information is available at www.napatech.com/investor.

¹ EBITDAC: Earnings before depreciation, amortization and impairment, and cost transferred to development projects

² Definitions: Gross Margin is calculated as 'Gross Profit' / 'Revenue'; EBITDAC is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization' before staff costs transferred to capitalized development costs; EBITDA is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization'; Net working capital represents the value of inventories, trade receivables of other current operating assets less trade payables and other current operating liabilities. Cash and cash equivalents and income tax receivable or payable are not part of the net working capital; Cash flows from operating activities are profit or loss before tax added or deducted changes in the net working capital, added or deducted changes in provisions and added the yearly depreciation and amortization; Free cash flow is net cash flow from operating activities added or deducted investing activities.

Revenue and Gross Margin

Q1

Napatech reports revenue of DKK 46.8m in Q1 2021 compared to DKK 48.5m in the same period in 2020, equivalent to a decline of 4%. In USD revenue was up 6% compared to Q1 2020.

Gross margin in Q1 2021 was 70.0% compared to 68.8% in Q1 2020.

Costs

Q1

Staff costs and Other external costs in Q1 2021 amounted to DKK 30.4m, compared to DKK 33.5m in Q1 2020.

Operating expenses after transferal of staff costs to capitalized development costs in Q1 2021 amounted to DKK 24.0m, compared to DKK 29.7m in Q1 2020.

EBITDAC and EBITDA

Q1

EBITDAC amounted to positive DKK 2.4m in Q1 2021 compared to positive DKK 0.1m in Q1 2020.

EBITDA in Q1 2021 was positive DKK 8.8m compared to positive DKK 3.9m in Q1 2020.

Depreciation, amortization, and impairment

Q1

Depreciation, amortization, and impairment in Q1 2021 were DKK 5.2m compared to DKK 5.8m in Q1 2020.

Financial Items

Q1

Financial items for Q1 2021 are DKK 1.6m compared to DKK 0.0m in Q1 2020.

Taxes

Q1

Taxes for Q1 2021 amounted to negative DKK 0.1m compared to DKK 0.0m in Q1 2020.

Investments

Q1

Total net cash used in investing activities in Q1 2021 was DKK 7.0m and DKK 6.9m were related to new product development. In Q1 2020 total net cash used in investing activities was DKK 3.3m and which DKK 4.2m was related to new product development.

Cash Flow

Q1

Net cash flow from operating activities in Q1 2021 was negative DKK 12.0m compared to positive DKK 3.4m in Q1 2020.

Free cash flow in the quarter amounted to negative DKK 19.0m compared to positive DKK 0.1m in Q1 2020.

Net cash from financing activities in Q1 2021 was negative DKK 3.5m, compared to negative DKK 0.6m in Q1 2020.

Outlook for 2021

The 2021 guidance remains unchanged:

	Guidance
Revenue	DKK 210-230m
Gross margin	70-72%
Staff expenses & Other external costs	DKK 125-135m
Staff costs transferred to capitalized development costs	DKK 20-25m
Depreciation and amortization	DKK 20-25m

With performance in the middle of the guided ranges, EBITDAC and EBIT would be positive DKK 26.2m.

The company is exposed to risks that might affect our ability to reach our goals such as currency fluctuations, general market uncertainty, and material changes in our large OEMs' needs for Napatech's products.

Disclaimer:

This report may contain statements regarding the future in connection with Napatech growth initiatives, profit figures, outlook, strategies, and objectives. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

INCOME STATEMENT

For the period ended March 31, 2021

DKK'000	1st quarter	
	2021	2020
Revenue	46,824	48,536
Cost of goods sold	(14,037)	(15,128)
Gross profit	32,787	33,408
Other operating income	25	171
Staff costs	(25,422)	(26,121)
Other external costs	(4,972)	(7,388)
EBITDAC	2,418	70
Transferred to capitalized development costs	6,373	3,809
EBITDA	8,791	3,879
Depreciation, amortization and impairment	(5,170)	(5,755)
Operating result (EBIT)	3,621	(1,876)
Finance income	1,827	268
Finance costs	(179)	(302)
Result before tax	5,269	(1,910)
Income tax	(99)	-
Result for the period	5,170	(1,910)

CASH FLOW STATEMENT

For the period ended March 31, 2021

DKK'000	1st quarter	
	2021	2020
Operating activities		
Income/Loss before tax	5,269	(1,910)
Adjustments to reconcile profit before tax to net cash flows		
Finance income	(1,827)	(268)
Finance costs	179	302
Depreciation, amortisation and impairment	5,170	5,755
Gain/loss on the sale of non-current assets	(25)	(171)
Share-based payment expense	564	507
Working capital adjustments		
Change in inventories	2,457	2,693
Change in trade and other receivables and right-of-return asset	(7,591)	(2,304)
Change in trade and other payables, provisions, refund liability and contract liabilities	(16,126)	(1,036)
Interest received	6	-
Interest paid	(105)	(196)
Net cash flows from operating activities	(12,029)	3,372
Investing activities		
Proceeds from sale of tangible assets	25	3
Purchase of tangible assets	(444)	(180)
Proceeds from sale of intangible assets	408	126
Investments in intangible assets	(6,948)	(4,177)
Investments in leasehold deposits	(4)	939
Net cash used in investing activities	(6,963)	(3,289)
Free cash flow	(18,992)	83
Financing activities		
Payment of financial lease liabilities	(952)	(1,061)
Increase of borrowings	-	3,292
Repayment of borrowings	(2,500)	(2,788)
Net cash flows (used in) / from financing activities	(3,452)	(557)
Net change in cash and cash equivalents	(22,444)	(474)
Net foreign exchange difference	535	(172)
Cash and cash equivalents at the beginning of the period	62,698	64,306
Cash and cash equivalents at the end of the period	40,789	63,660

BALANCE SHEET

ASSETS

DKK'000	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
Development projects, completed	21,682	23,328	25,141
Development projects, in progress	12,316	7,760	11,191
Patents	3,533	3,697	4,293
Intangible assets	37,531	34,785	40,625
Plant and equipment	1,074	1,228	606
Right-of-use assets	9,132	9,412	11,659
Leasehold improvements	676	301	485
Tangible assets	10,882	10,941	12,750
Deferred tax asset	4,935	4,932	-
Leasehold deposits	1,411	1,407	1,419
Other non-current assets	6,346	6,339	1,419
Non-current assets	54,759	52,065	54,794
Inventories	16,617	19,074	6,839
Trade receivables	22,847	15,802	23,591
Right-of-return asset	112	112	3,609
Other receivables	5,336	3,057	5,075
Income tax receivable	-	47	2,961
Cash and cash equivalents	40,789	62,698	63,660
Current assets	85,701	100,790	105,735
Total assets	140,460	152,855	160,529

BALANCE SHEET

EQUITY AND LIABILITIES

	31 Mar. 2021	31 Dec. 2020	31 Mar. 2020
DKK'000			
Share capital	20,771	20,767	20,767
Share premium	290,378	290,330	290,329
Foreign currency translation reserve	70	(283)	476
Other capital reserves	6,693	6,744	4,988
Retained earnings	(222,025)	(227,790)	(239,367)
Equity	95,887	89,768	77,193
Other non-current financial liabilities	6,181	6,181	11,192
Non-current lease liabilities	6,545	6,827	8,881
Non-current liabilities	12,726	13,008	20,073
Interest-bearing loans and borrowings	10,000	12,500	31,858
Other current financial liabilities	-	-	6,271
Current lease liabilities	2,849	2,953	3,799
Trade payables	9,095	11,014	3,640
Other payables	8,290	21,667	11,656
Income tax payable	55	-	-
Provisions	630	1,529	587
Contract liabilities	511	-	-
Refund liabilities	417	416	5,452
Current liabilities	31,847	50,079	63,263
Total liabilities	44,573	63,087	83,336
Total equity and liabilities	140,460	152,855	160,529

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