



Interim Management Statement 4Q-2024

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Q&A Session

Following the presentation

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Texted question can be submitted using the button on the website

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Agenda

- Business Status 4Q and FY 2024
- Business Outlook
- Financial Review and Outlook
- Q&A Session



Business Status and Outlook

Business Status – 4Q and FY 2024

4Q-2024 and FY-2024 Financial Results:

Revenue:	(4Q) \$5.4M USD	(2024) \$16.8M USD
Gross Margin:	(4Q) 65%	(2024) 68%

4Q and 2024 Highlights:

- Extended collaboration agreement with Intel-Altera for next-generation programmable NICs
Intel partnership and new products expanded pipeline of opportunities unlocking transformational design wins and volumes
- Industry megatrends continue to fuel market growth and Napatech opportunity
New customers, projects, applications, and use-cases regularly emerging, radically increasing Napatech's pipeline of opportunities
- Secured record breaking number of new design wins
4 new-product design wins, with the potential to consume 40k-60k+ units; and 36 total design wins in 2024.
- Expanded ecosystem to application software providers and appliance partners
Partnerships extend go-to-market reach, creating additional visibility, awareness, and demand
- Enhanced company leadership to support Napatech's next phase of growth
<https://www.napatech.com/investor-relations/management-and-board/>

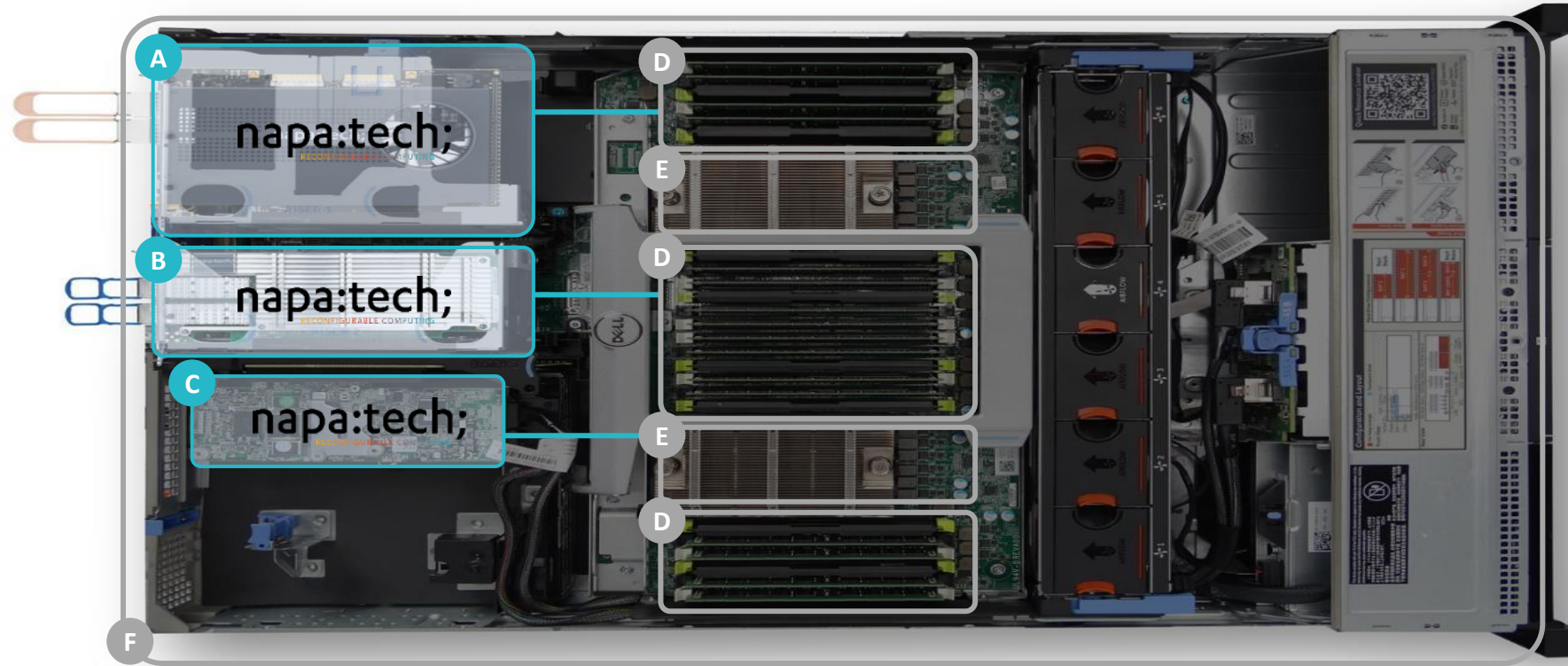
Napatech Strategic Plan:

- Retain and expand our valuable installed base of customers
- Accelerate engineering in software and hardware to extend our Programmable NICs into high growth segments
- Developing our partner ecosystem to unlock high growth segments

Napatech At A Glance: Programmable Network Interface Cards

Think™ Link™

- A Infrastructure Processing Unit
- B SmartNIC
- C GPU or FPGA for AI
- D Memory chip
- E Central Processing Unit
- F Server



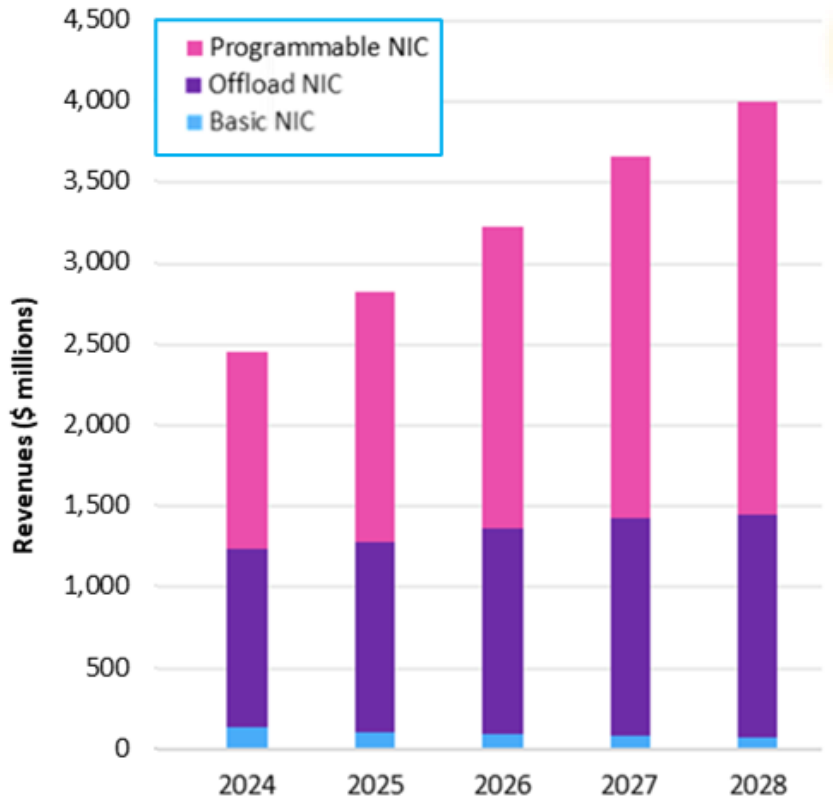
Napatech's Programmable NICs play a crucial role in modern datacenter designs ...



... providing access to CPUs and GPUs resources that deliver AI, security and other services

Market Opening For Large Growth

Server Connectivity Types



Source: Omdia 2024 © 2024 Omdia

PROGRAMMABLE NIC ORIGINS



“Generative AI will drive Ethernet and Adapter and SmartNIC market to surpass \$16B by 2028” - Dell’Oro 2024

Industry Megatrends Fueling Projected Market Growth

ARTIFICIAL INTELLIGENCE



CLOUD-EDGE COMPUTING



5G MOBILE INFRASTRUCTURE



CYBERSECURITY



FINTECH



BIG DATA ANALYTICS



MONITORING & RECORDING



Industry Megatrends Are The Launchpad For Programmable NICs
New customers and projects regularly emerging that require enhanced server and network architectures

EXAMPLE APPLICATIONS:

Base Business

New Design Wins

Pipeline Opportunities

Applications Emerging

MONITORING & RECORDING



Application Performance Monitoring
Network Performance Monitoring
Packet Capture
Test & Measurement
Network Recording
Regulatory and Compliance

FINTECH



>50 Design Wins
Market Simulation
Low Latency Trading
Market Data Capture
Latency Monitoring
High Frequency Trading

CYBERSECURITY



SIEM
Intrusion Detection
Data Loss Prevention
Extrusion Detection
Network Forensics
Intrusion Prevention
Network Firewall
Microservices Firewall

BIG DATA ANALYTICS



Enterprise Data Management

5G MOBILE INFRASTRUCTURE



Lawful Interception
Signaling Gateways
User Plane Functions - Many

CLOUD-EDGE COMPUTING



Tenant Services
IaaS/PaaS
Virtual Switching Offload
Encryption, Compression
Storage Offloads

ARTIFICIAL INTELLIGENCE

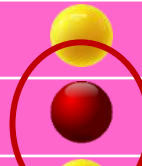
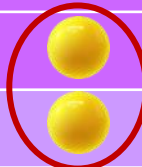
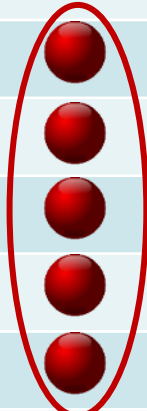


Low Latency Inference
AI Infrastructure
Machine Learning

Programmable NICs: Early Winners Emerged

TIME →

REQUIREMENTS	FOUNDATIONAL NIC	OFFLOAD NIC	PROGRAMMABLE NICs		
Street Name	Basic NIC	SmartNIC	SmartNIC	DPU	IPU
Processing Engines	ASIC	ASIC	FPGA	Controller, ASIC, ARM-SOC,	FPGA, x86 SOC
Onboard CPU	●	●	●	●	●
Scalability	●	●	●	●	●
CPU Offload	●	●	●	●	●
HW Programmable	●	●	●	●	●
SW Programmable	●	●	●	●	●
Throughput	●	●	●	●	●
Latency	●	●	●	●	●
Solution Price	●	●	●	●	●
Solution Power	●	●	●	●	●



Programmable NIC Product Strategy



Programmable NIC Software

Network Offload
and Acceleration

Storage Offload
and Acceleration

Security Offload
and Acceleration



Intel-Altera based SmartNIC



Intel-Altera based IPU

APPLICATION DRIVEN

Napatech production grade solutions target high growth applications and services in modern networks

SOFTWARE FOCUSED

Link-Capture™
Link-Inline™
Link-Virtualization™
Link-Storage™
Link-Security™

In success, people choose Napatech because we have the solution-focused software to power the Programmable NIC



HARDWARE INDEPENDENT

Link-Hardware™
Link-Programmable™

Napatech deliver production grade hardware platforms based on the latest technology from both Intel and Altera



Validation From New Pipeline Opportunities and Design Wins

CURRENT BUSINESS

- >400 unique customers in past 2 years
- Strong signals returning to base levels
- Primary customers depleting built-up inventory
- Opportunities emerging for new HW+SW products

PIPELINE

- Strong pipeline from Intel Altera
- Includes SmartNIC and IPU Programmable NICx
- Anchored by innovative software packages
- Spanning all customer types, applications and use cases

Q4 DESIGN WINS

- 8 design wins
- Spanning cybersecurity, monitoring, 5G, telecom
- Potential for more than 3500 units in volume production

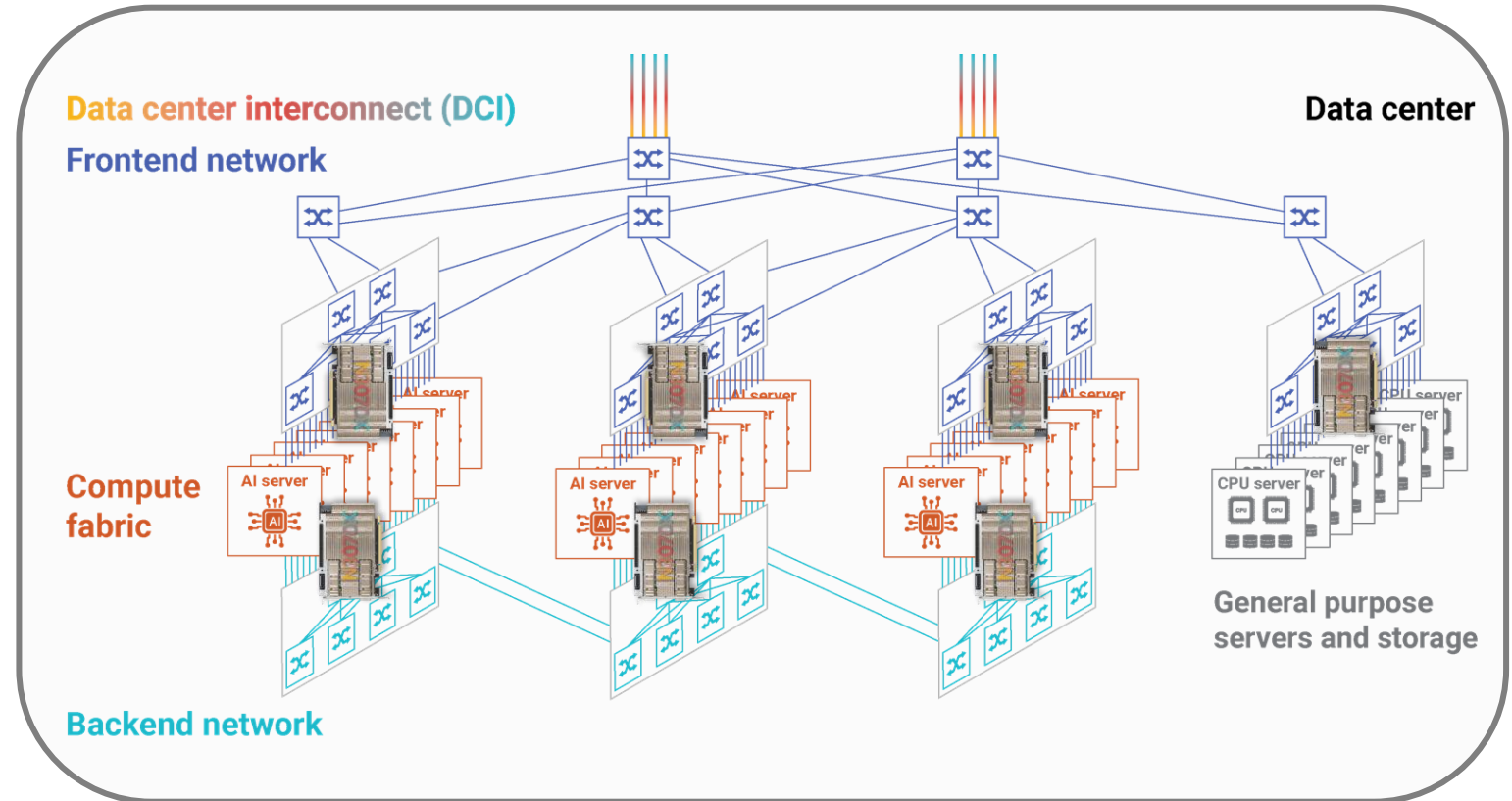
FY24 DESIGN WINS

- 36 design wins
- Spanning all customer types, applications and use cases
- Transformational unit volumes and revenue

The improving base business, plus constantly expanding pipeline of opportunities and early success in new design wins provides great optimism towards realizing our growth ambitions

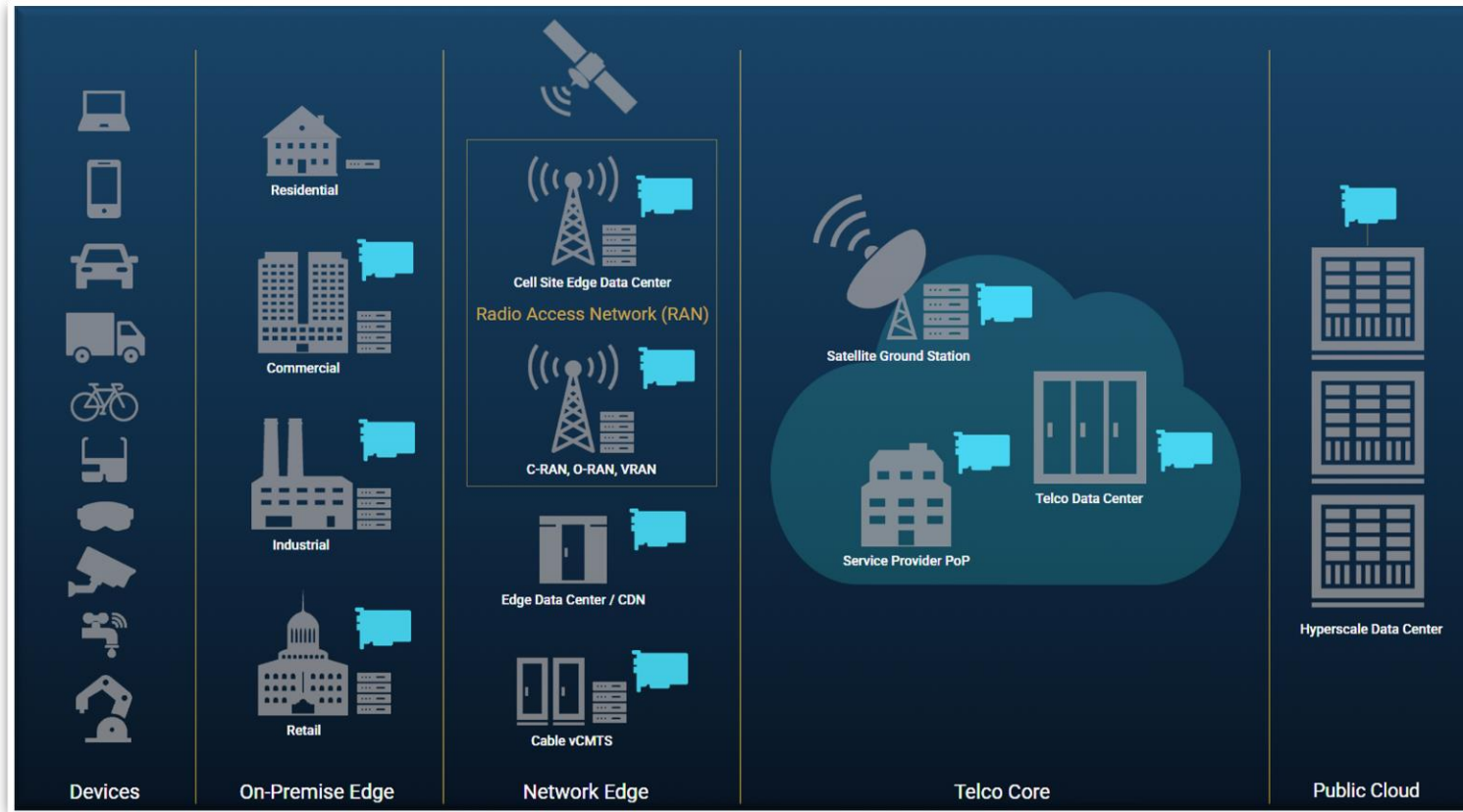
Solution Spotlight – Artificial Intelligence Infrastructure

- AI inferencing Vendor
- AI infrastructure back end
- High-volume production
- N3070X SW and HW



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

Solution Spotlight: 5G Mobile Packet Core (UPF)



JANUARY 18:

<https://infohub.delltechnologies.com/en-us/l/telecom-co-innovation/dell-xr8000-server-based-solution-for-distributed-5g-upf-with-traffic-steering/>

FEBRUARY 11:

<https://www.redhat.com/en/blog/unlocking-potential-5g-edge>

FEBRUARY 18:



Please Visit Us At Mobile World Congress 2025

- WHEN: March 3-6, 2025 (Mon-Thurs)
- WHERE: Barcelona, Spain
- ACCESS: Napatech guest passes available
- SOLUTIONS: 5G Core UPF Acceleration
Network Performance Monitoring
Application Performance Monitoring
Lawful Interception
Signaling Gateways
Cybersecurity
- DEMOS: Two Solution Kiosks



Financial Review and Outlook

Consolidated Income Statement Q4 2024

DKK'000	Q4		FY		Q4	FY
	2024	2023	2024	2023	Δ	Δ
Revenue	37,678	58,081	116,408	182,674	-35%	-36%
Cost of goods sold	(13,069)	(12,483)	(37,049)	(49,126)		
Gross profit	24,609	45,598	79,359	133,548	-46%	-41%
GM%	65%	79%	68%	73%		
Staff costs	(27,521)	(22,404)	(111,226)	(96,924)	23%	15%
Other external costs	(17,230)	(16,066)	(60,618)	(46,361)	7%	31%
EBITDAC	(20,142)	7,128	(92,485)	(9,737)		
Transferred to capitalized development costs	3,153	872	6,232	9,299	262%	-33%
EBITDA	(16,989)	8,000	(86,253)	(438)		
Depreciation, amortization and impairment	(6,762)	(8,172)	(29,326)	(32,461)	-17%	-10%
Operating result (EBIT)	(23,751)	(172)	(115,579)	(32,899)		
Finance income	1,184	(49)	2,315	358		
Finance costs	(959)	(1,977)	(3,823)	(3,904)		
Result before tax	(23,526)	(2,198)	(117,087)	(36,445)		
Income tax	5,075	5,510	5,830	4,429		
Result for the period	(18,451)	3,312	(111,257)	(32,016)		

Key Developments

- Revenue in Q4 is up 11% compared to Q3 but down 35% compared to Q4'23.
- Adjusted for EOL product costs, GM in Q4 was 75%, and GM for FY 24 ended at 71%
- Staff costs in Q4 were on par with Q3 but up 23% compared to Q4'23 due to the build of development staff to serve the increased design win pipeline.
- Other external costs in Q4 up 7% compared to Q4'23 and up 31% FY compared to '23. The growth reflects additional development consultants, which is a flexible cost that can be taken up and down depending on the activity level.

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

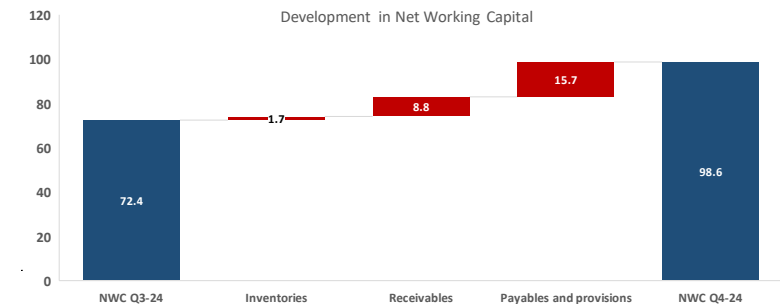
Consolidated Cash Flow Statement Q4 2024

DKK'000	Q4		FY	
	2024	2023	2024	2023
Earnings before tax (EBT)	(23,526)	(2,198)	(117,087)	(36,445)
Adjustments to reconcile profit before tax to net cash flows	9,565	10,886	41,733	38,543
Working capital adjustments	(24,058)	(11,147)	(31,341)	(10,404)
Cash flows from operating activities	(38,019)	(2,459)	(106,695)	(8,306)
Interest and tax	5,079	4,342	3,854	1,521
Net cash flows from operating activities	(32,940)	1,883	(102,841)	(6,785)
Net cash used in investing activities	(3,927)	(2,517)	(11,143)	(12,690)
Free cash flow	(36,867)	(634)	(113,984)	(19,475)
Net cash flows used in financing activities	(1,005)	(581)	136,699	50,507
Net change in cash and cash equivalents	(37,872)	(1,215)	22,715	31,032
Net foreign exchange difference	(649)	(665)	(741)	(627)
Cash and cash equivalents at the beginning of the period	102,862	44,247	42,367	11,962
Cash and cash equivalents at the end of the period	64,341	42,367	64,341	42,367

	2024	2023
Net working capital	98,643	65,462
- NWC as % of revenue in quarter	262%	113%

Key Developments

- Net Cash flow from operating activities in Q4 negative DKK 32.9m – adjusted for working capital development negative DKK 8.9m
- Net working capital end of Q4 DKK 98.6m



- Free cash flow in Q4 negative DKK 36.9m
- Cash and cash equivalents of DKK 64.3m end of Q4'24 compared to DKK 42.4m end of Q4'23

2025 Expectations

- Napatech's financial expectations for 2025 are as follows:

	Guidance
Revenue	DKK 150-190m
Gross margin	69-71%
Staff expenses & Other external costs	DKK 170-180m
Transferred to capitalized development costs	DKK 8-12m

- With performance in the middle of the guided ranges in 2025, EBITDA will be negative 46mDKK
- With the expected net working capital improvements related to inventory reductions, our operations are funded throughout 2025.

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