



NAPATECH
1ST QUARTER 2022
INTERIM MANAGEMENT STATEMENT

napa:tech;

MANAGEMENT'S REPORT**Highlights Q1:**

- Revenue in USD amounted to 7.9m in Q1 2022, an increase of 4% compared to Q1 2021. In DKK, revenue amounted to DKK 52.2m in Q1 2022, an increase of 12% compared to Q1 2021.
- The gross margin in Q1 2022 was 51.0%, a decline of 19%-points compared to Q1 2021. Margins low due to delivery of a larger HW-only order in Q1 with an option to buy SW later. We feel confident the customer will buy the SW. If SW had shipped with the HW, revenue in Q1 would have been around \$9.5M with margins of 60% - corresponding to USD revenue growth of 25%
- Staff costs and Other external costs in Q1 2022 amounted to DKK 35.7m compared to DKK 30.4m in Q1 2021.
- EBITDAC¹ in Q1 2022 amounted to negative DKK 9.1m compared to positive DKK 2.4m in Q1 2021.
- EBITDA in Q1 2022 amounted to negative DKK 2.0m compared to positive DKK 8.8m in Q1 2021.
- Depreciation, amortization, and impairment for Q1 2022 were DKK 5.7m compared to DKK 5.2m in Q1 2021.
- Net Cash flow from operating activities in Q1 2022 was negative DKK 0.3m compared to negative DKK 12.0m in Q1 2021.
- Net cash used in investing activities in Q1 2022 amounted to DKK 10.9m compared to DKK 7.0m in Q1 2021.

Key figures²:

	Q1 2022	Q1 2021
Revenue USD m	7.9	7.6
Growth YoY USD m	4%	6%
Revenue DKK m	52.2	46.8
Growth YoY DKK m	12%	-4%
Gross Margin	51.0%	70.0%
EBITDAC DKK m	-9.1	2.4
EBITDA DKK m	-2.0	8.8
Net Cash Flow from Operating Activities DKK m	-0.3	-12.0
Net Working Capital, end of period DKK m	44.7	25.9
Cash and cash equivalents, end of period DKK m	33.4	40.8

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 52.2m in Q1 2022 compared to DKK 46.8m in the same period in 2021, equivalent to an increase of 12%. In USD, revenue was up 4% compared to Q1 2021.

The gross margin in Q1 2022 was 51.0% compared to 70.0% in Q1 2021.

Costs*Q1*

Staff costs and Other external costs in Q1 2022 amounted to DKK 35.7m, compared to DKK 30.4m in Q1 2021.

Operating expenses after transfer of staff costs to capitalized development costs in Q1 2022 amounted to DKK 28.7m, compared to DKK 24.0m in Q1 2021.

EBITDAC and EBITDA*Q1*

EBITDAC amounted to negative DKK 9.1m in Q1 2022 compared to positive DKK 2.4m in Q1 2021.

EBITDA in Q1 2022 was negative DKK 2.0m compared to positive DKK 8.8m in Q1 2021.

Depreciation, amortization, and impairment*Q1*

Depreciation, amortization, and impairment in Q1 2022 were DKK 5.7m compared to DKK 5.2m in Q1 2021.

Financial Items*Q1*

Financial items for Q1 2022 are positive DKK 1.1m compared to positive DKK 1.6m in Q1 2021.

Taxes*Q1*

Taxes for Q1 2022 amounted to an income of DKK 0.0m compared to an expense of DKK 0.1m in Q1 2021.

Investments*Q1*

Total net cash used in investing activities in Q1 2022 was DKK 10.9m, of which DKK 8.8m were related to new product development. In Q1 2021 total net cash used in investing activities was DKK 7.0m, of which DKK 6.9m was related to new product development.

Cash Flow*Q1*

Net cash flow from operating activities in Q1 2022 was negative DKK 0.3m compared to negative DKK 12.0m in Q1 2021.

Free cash flow in the quarter amounted to negative DKK 11.2m compared to negative DKK 19.0m in Q1 2021.

Net cash from financing activities in Q1 2022 was positive DKK 4.8m, compared to negative DKK 3.5m in Q1 2021.

Outlook for 2022

The 2022 guidance remains unchanged:

	Guidance
Revenue	DKK 235-260m
Gross margin	69-71%
Staff expenses & Other external costs	DKK 155-165m
Staff costs transferred to capitalized development costs	DKK 28-33m
Depreciation and amortization	DKK 23-28m

With performance in the middle of the guided ranges, EBITDAC would be positive DKK 13.3m, and EBIT would be positive DKK 18.3m.

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, 2022

DKK'000	1st quarter	
	2022	2021
Revenue	52,237	46,824
Cost of goods sold	(25,600)	(14,037)
Gross profit	26,637	32,787
Other operating income	-	25
Staff costs	(28,636)	(25,422)
Other external costs	(7,090)	(4,972)
EBITDAC	(9,089)	2,418
Transferred to capitalized development costs	7,064	6,373
EBITDA	(2,025)	8,791
Depreciation, amortization and impairment	(5,706)	(5,170)
Operating result (EBIT)	(7,731)	3,621
Finance income	1,269	1,827
Finance costs	(127)	(179)
Result before tax	(6,589)	5,269
Income tax	2	(99)
Result for the period	(6,587)	5,170

CASH FLOW STATEMENT

For the period ended March 31, 2022

DKK'000	1st quarter	
	2022	2021
Operating activities		
Income/Loss before tax	(6,589)	5,269
Adjustments to reconcile profit before tax to net cash flows		
Finance income	(1,269)	(1,827)
Finance costs	127	179
Depreciation, amortisation and impairment	5,706	5,170
Gain/loss on the sale of non-current assets	-	(25)
Share-based payment expense	815	564
Working capital adjustments		
Change in inventories	4,060	2,457
Change in trade and other receivables and right-of-return asset	(5,689)	(7,591)
Change in trade and other payables, provisions, refund liability and contract liabilities	2,634	(16,126)
Interest received	7	6
Interest paid	(74)	(105)
Net cash flows from operating activities	(272)	(12,029)
Investing activities		
Proceeds from sale of tangible assets	-	25
Purchase of tangible assets	(2,098)	(444)
Proceeds from sale of intangible assets	-	408
Investments in intangible assets	(8,800)	(6,948)
Investments in leasehold deposits	-	(4)
Net cash used in investing activities	(10,898)	(6,963)
Free cash flow	(11,170)	(18,992)
Financing activities		
Payment of financial lease liabilities	(748)	(952)
Increase of borrowings	14,749	-
Repayment of borrowings	(9,156)	(2,500)
Net cash flows used in financing activities	4,845	(3,452)
Net change in cash and cash equivalents	(6,325)	(22,444)
Net foreign exchange difference	285	535
Cash and cash equivalents at the beginning of the period	39,449	62,698
Cash and cash equivalents at the end of the period	33,409	40,789

BALANCE SHEET**ASSETS**

	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
DKK'000			
Development projects, completed	22,694	26,685	21,682
Development projects, in progress	24,389	15,589	12,316
Patents	2,849	3,016	3,533
Intangible assets	49,932	45,290	37,531
Plant and equipment	7,824	6,605	1,074
Right-of-use assets	6,302	6,995	9,132
Leasehold improvements	755	727	676
Tangible assets	14,881	14,327	10,882
Deferred tax asset	9,717	9,715	4,935
Leasehold deposits	1,357	1,357	1,411
Other non-current assets	11,074	11,072	6,346
Non-current assets	75,887	70,689	54,759
Inventories	20,063	24,123	16,617
Trade receivables	41,523	37,514	22,847
Right-of-return asset	36	36	112
Other receivables	7,490	4,915	5,336
Cash and cash equivalents	33,409	39,449	40,789
Current assets	102,521	106,037	85,701
Total assets	178,408	176,726	140,460

BALANCE SHEET**EQUITY AND LIABILITIES**

DKK'000	31 Mar. 2022	31 Dec. 2021	31 Mar. 2021
Share capital	20,774	20,774	20,771
Share premium	290,435	290,435	290,378
Foreign currency translation reserve	445	270	70
Other capital reserves	9,024	8,242	6,693
Retained earnings	(192,803)	(186,249)	(222,025)
Equity	127,875	133,472	95,887
Interest-bearing loans and borrowings	9,758	-	-
Other non-current financial liabilities	4,765	4,860	6,181
Non-current lease liabilities	3,861	4,545	6,545
Non-current liabilities	18,384	9,405	12,726
Interest-bearing loans and borrowings	4,991	9,061	10,000
Current lease liabilities	2,715	2,726	2,849
Trade payables	12,066	10,990	9,095
Other payables	10,276	7,931	8,290
Income tax payable	16	16	55
Provisions	295	297	630
Contract liabilities	1,642	2,681	511
Refund liabilities	148	147	417
Current liabilities	32,149	33,849	31,847
Total liabilities	50,533	43,254	44,573
Total equity and liabilities	178,408	176,726	140,460

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