



2023 Half-Year Report Presentation

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August 24, 2023

napa:tech;

Q&A Session at the end of the presentation

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Agenda

- Business Status and Outlook
- Datacenter Market Update
- Strategy Mileposts Results
- Financial Review and Outlook
- Q&A Session

Progress in Business, Market and Strategy

Business Status and Outlook

- Results that position Napatech for new high-growth segments
 - Strategic initiatives with Intel, delivering new IPU in 2023, contributing to 2024 and forward
 - New design wins, including F5, contributing to 2023 and forward
 - R&D investments now match customer-driven needs from mega-trends
 - Our SmartNIC and IPU products are leveraging Napatech's many years of FPGA based product technology and IP
- Our existing 1H'23 business mirrored underlying market trends
 - End-user IT spending remained guarded
 - Server shipments had unexpected slowdown in 1H-2023
 - Signals of improvement affirm our 2023 guidance

Napatech continues to execute its strategic plan, anchored in:

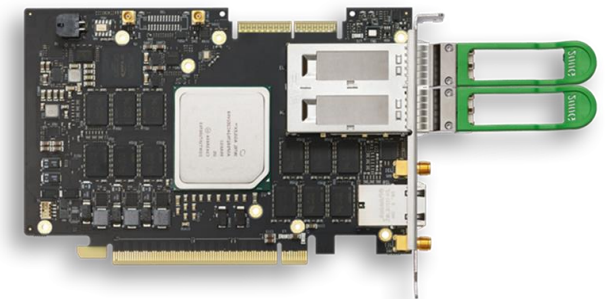
- Servicing our valuable installed base of customers, the early adopters of Programmable SmartNICs
- Accelerating our engineering in software and hardware, extending our Programmable SmartNICs into new projected high-growth segments
- Developing our ecosystem, through partnerships that expand our go-to-market reach via marketing, business development and sales

Mega-Trends Drive New Network Architectures and Opportunities for Napatech

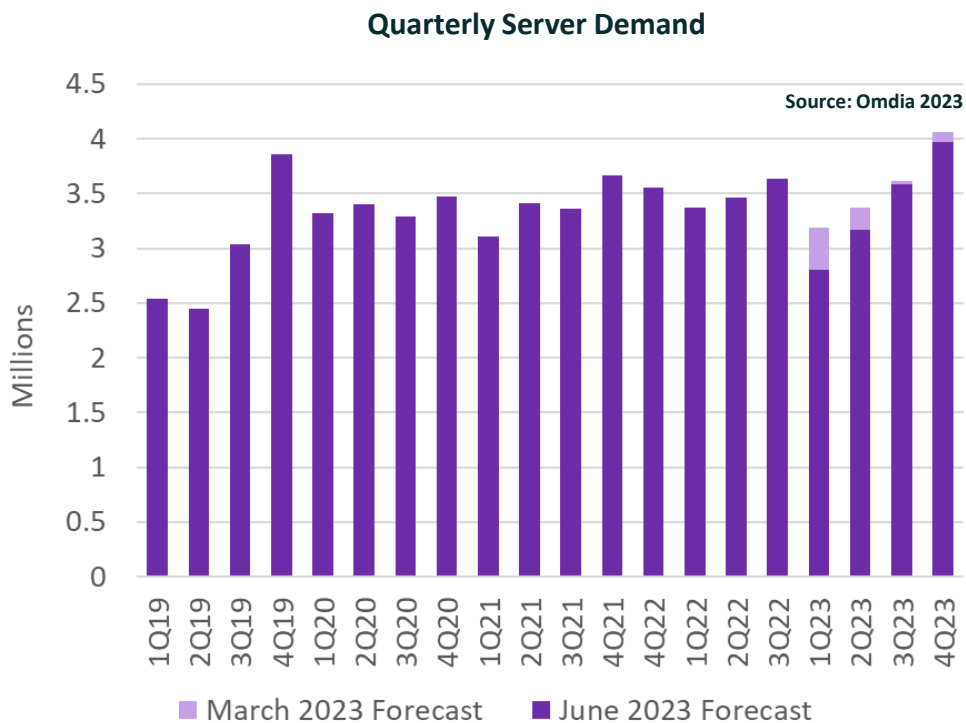
- Communications Mega-Trends that drive new network architectures relevant to Napatech
 - Next-wave Cloud Service providers
 - Telco 5G Core and Edge, Private 5G
 - Cybersecurity
 - FinTech and Financial Services
 - Storage and Content Delivery
 - Artificial Intelligence
- These new Architectures requires Acceleration from Programmable NICs delivered by Napatech within
 - Networking
 - Storage
 - Security
 - Virtualization

New Napatech Programmable NIC

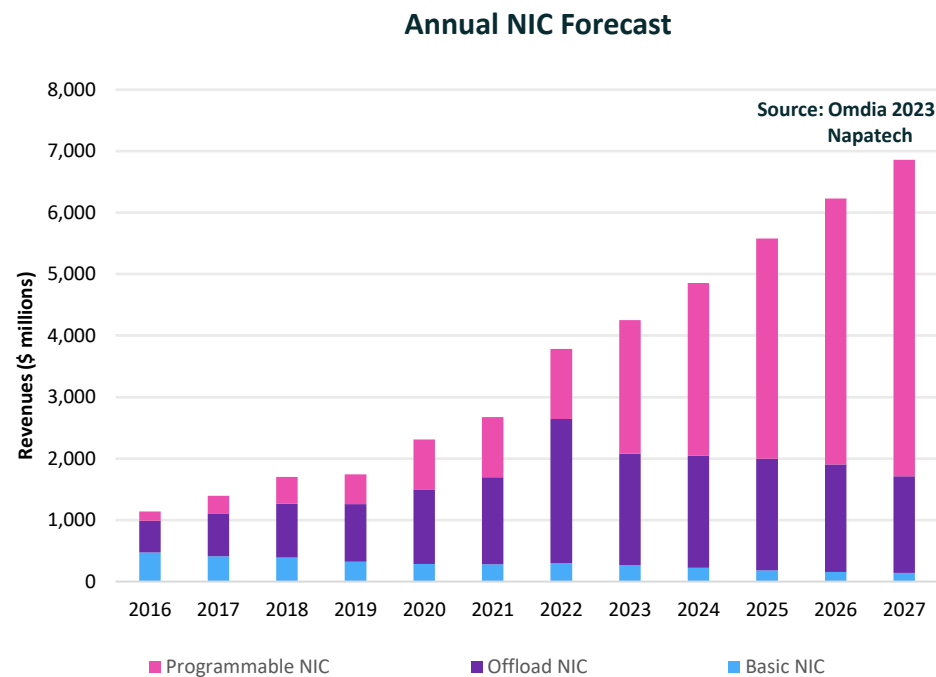
- Napatech product NT400D
- Powered by Intel Agilex FPGA
- Latest technology standards
- 400 Gbps performance
- Supports Napatech current software, as well as select new architectures



Market Update: Datacenter Servers and NICs



- Servers are primary bellwether for NIC demand
- Server shipments showed unexpected slowdown in 1H-2023
- Expected to return to normal growth, reaching record levels
- Server demand reflective of Napatech 1H 2023 results



- NIC market continues to grow at record levels
- Programmable NICs (SmartNIC, IPUs, DPUs) dominate growth
- Basic NIC continues decline, with first decline in offload NICs
- Programmable NIC demand increases from non-hyperscalers

Programmable NIC Market

Vendor	Share
Microsoft ⁽¹⁾	31%
Amazon	26%
Marvell	17%
Intel ⁽¹⁾	10%
Silicom	2%
NVIDIA	2%
AMD	2%
Broadcom	2%
Napatech	2%
Other	5%

Source: Omdia 2023
⁽¹⁾ Intel design dominance

- Napatech named in top-10
- Microsoft and Amazon are not vendor solutions to the market but driving the overall market

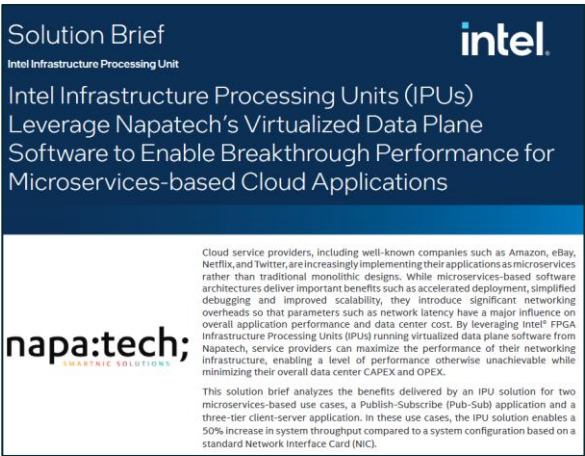
Strategy Milepost: Our Intel Journey

- Launch, orderability and delivery in 2023
- Development for Napatech’s first Intel IPU on track
 - Complete solutions versus components
 - Production-grade hardware
 - Innovative software: storage, security, networking acceleration
 - Service and support for integration and design
 - High velocity, feature-rich roadmap
- Maximizing 2024 revenue from current development agreement
- Joint sales, marketing, business development ahead of plan
 - Unlocks new prospects with transformational scale
 - 2024 design wins with 2024-2026 ramping revenue



Napatech + Intel Solution Overview

- FPGA-based SmartNICs & IPU
- Napatech software packages for innovative use cases
- Napatech in Intel collaterals



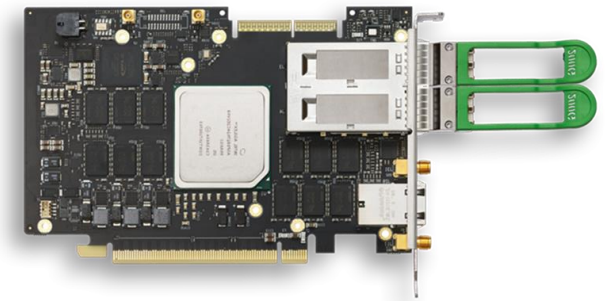
Strategy Milepost: Our F5 Journey

- Initial orders received
- Napatech has delivered first units for product development
- Tier-1 OEM provider of networking and security appliances
- Leading technology design powered by Intel and Napatech
- Valuable design win, into market-leading product
- Napatech engineering program remains on schedule
- Preliminary volume forecast provided for 2024 to 2026



About the solution

- First Napatech SmartNIC Powered by Intel Agilex FPGA
- Designed for volume servers
- Latest technology standards
- Up to 200 gigabit Ethernet
- 400 Gbps performance



Strategy Milepost: Expanded Customer Reach Through Partnerships

Server Manufacturers:

- Customer sales and marketing
- Pipeline development
- System Integration
- Fulfillment
- 3 more in progress
- 4 in planning phase



5G Core Software Vendors:

- 5G telco infrastructure and private network solutions
- Leading partner engagements
- Customer pipeline development
- 2 completed and announced
- 8 more in progress
- 9 in planning phase



Fintech Software Vendors:

- Predicted to be high-growth segment for SmartNICs
- Leading customer engagements
- Complements Napatech position in other use cases
- Software built for FPGA hardware, requires SmartNIC
- Pipeline development



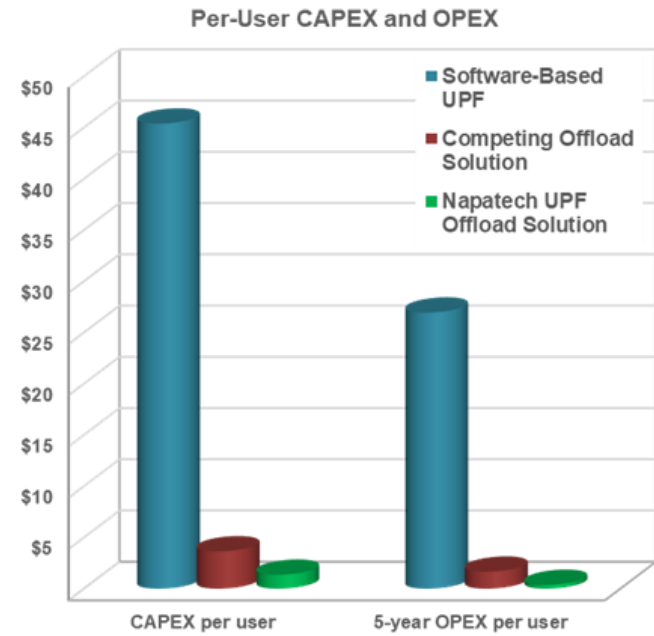
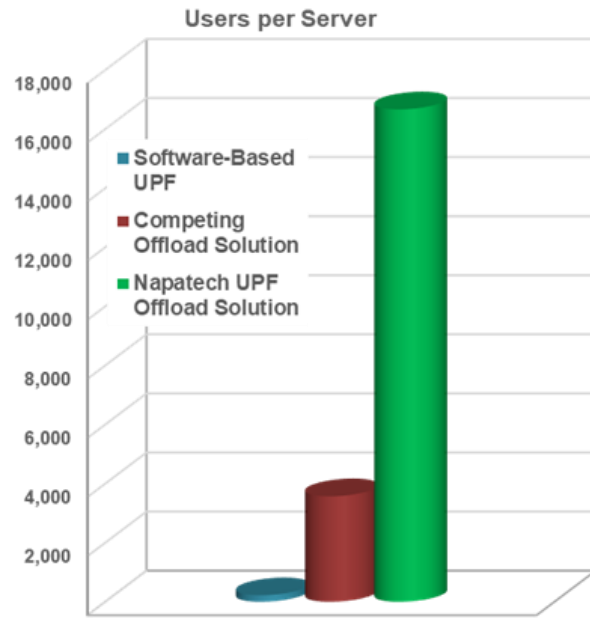
Partnerships lower the barriers to customer adoption and validates the Napatech solution by the partner and their many customers.

Key benefits of the Partner

- Improved time to proof-of-concept, trial and design win
- System integration
- Expand our customer access
- Joint marketing
- New pipeline development

Strategy Milepost: 5G Networking Solution (UPF) napatech; RECONFIGURABLE COMPUTING

Stunning Performance Create Market Traction



Market development progressing on schedule with our initial Partners, with some activities ahead of plan



Targeted Use Cases:

- Telco 5G infrastructure
- Enterprise private 5G networks

Compared to ASIC-basic DPU NIC:

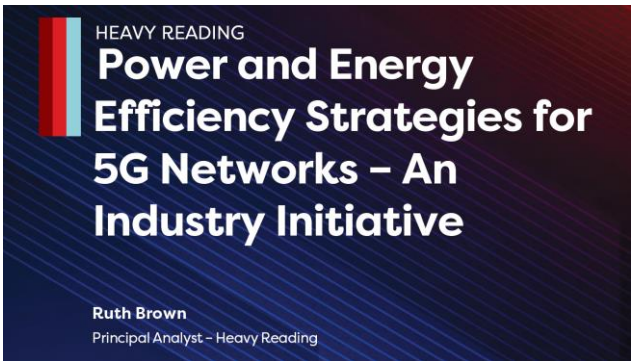
- 4.7x increase in number of users per server
- 63% reduction in CAPEX
- 78% reduction in OPEX.

Compared to software-based UPF:

- 76x increase in number of users per server
- 97% reduction in CAPEX
- 99% reduction in OPEX.

Strategy Milepost: Napatech Solutions Fulfilling ESG Aspirations

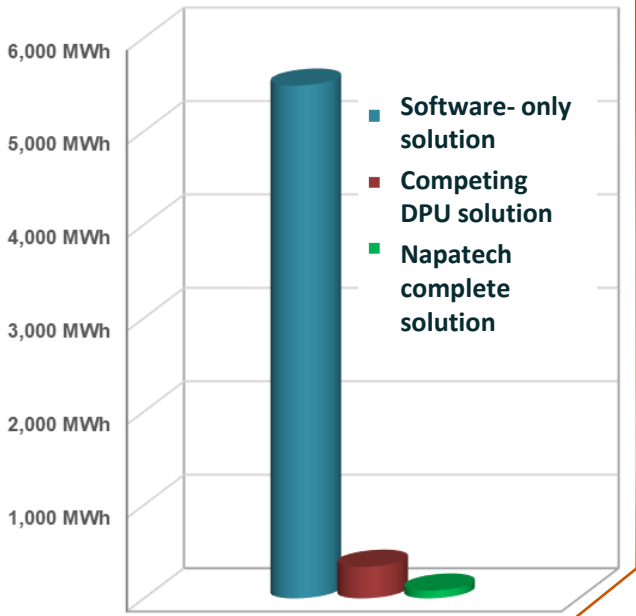
- Challenges facing network operators
 - Increasing and fluctuating energy costs
 - Limited availability of power for new edge data centers
 - Regulatory constraints around power and emissions
 - Many factors are outside of operator control
- Napatech's solutions maximizes server utilization and minimizes data center power consumption
 - Featured in upcoming 4Q-2023 industry report



Example: Napatech enables compelling reduction in data center power consumption

- 75% reduction vs. ASIC-basic DPU NIC
- 98% reduction vs. software-only solution

Data Center Power Consumption



Financial Review and Outlook

Consolidated Income Statement Q2 & H1 2023

DKK'000	Q2		H1		Q2	H1
	2023	2022	2023	2022	Δ	Δ
Revenue	37,846	35,484	74,942	87,721	7%	-15%
Cost of goods sold	(9,191)	(10,528)	(25,757)	(36,128)		
Gross profit	28,655	24,956	49,185	51,593	15%	-5%
GM%	75.7%	70.3%	65.6%	58.8%		
Other operating income	-	-	-	-		
Staff costs	(23,455)	(27,659)	(52,911)	(56,295)	-15%	-6%
Other external costs	(10,810)	(10,208)	(19,776)	(17,298)	6%	14%
EBITDAC	(5,610)	(12,911)	(23,502)	(22,000)		
Transferred to capitalized development costs	2,065	5,965	7,144	13,029	-65%	-45%
EBITDA	(3,545)	(6,946)	(16,358)	(8,971)		
Depreciation, amortization and impairment	(8,300)	(6,223)	(16,026)	(11,929)	33%	34%
Operating result (EBIT)	(11,845)	(13,169)	(32,384)	(20,900)		
Finance income	2	2,242	5	3,511		
Finance costs	(662)	(436)	(1,690)	(563)		
Result before tax	(12,505)	(11,363)	(34,069)	(17,952)		
Income tax	(665)	(35)	(672)	(33)		
Result for the period	(13,170)	(11,398)	(34,741)	(17,985)		

Key Developments

- Revenue in Q2 in USD up 10% compared to Q2'22 (*up 7% in DKK*). Revenue in H1 in USD down 16% compared to H1'22 (*down 15% in DKK*)
- GM in Q2 75.7% up 5.4 basis points compared to Q2'22. GM in H1 65.6% up 6.8 basis points compared to H1'22
- Staff costs in Q2 down 15% compared to Q2'22 and down 6% in H1 compared to H1'22.
- Other external costs in Q2 up 6% compared to Q2'22 and up 14% in H1 compared to H1'22
- Q2 EBITDAC negative DKK 5.6m – up DKK 7.3m compared to Q2'22. H1 EBITDAC negative DKK23.5m – down DKK 1.5m compared to H1'22.

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

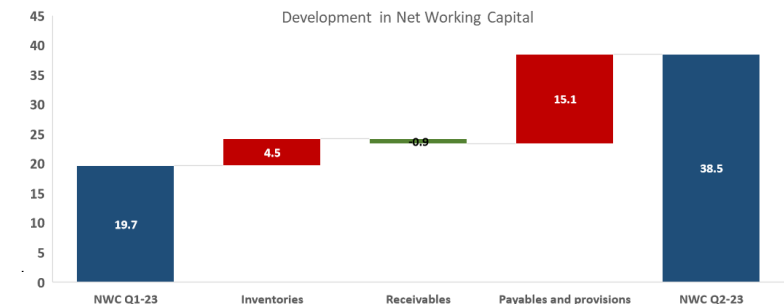
Consolidated Cash Flow Statement Q2 & H1 2023

DKK'000	Q2		H1	
	2023	2022	2023	2022
Earnings before tax (EBT)	(12,505)	(11,363)	(34,069)	(17,952)
Adjustments to reconcile profit before tax to net cash flows	9,448	6,420	19,061	11,799
Working capital adjustments	(18,690)	7,826	16,927	8,831
Cash flows from operating activities	(21,747)	2,883	1,919	2,678
Interest and tax	(1,342)	(422)	(1,758)	(489)
Net cash flows from operating activities	(23,089)	2,461	161	2,189
Net cash used in investing activities	(2,609)	(8,584)	(8,687)	(19,482)
Free cash flow	(25,698)	(6,123)	(8,526)	(17,293)
Net cash flows used in financing activities	69,460	10,529	53,127	15,374
Net change in cash and cash equivalents	43,762	4,406	44,601	(1,919)
Net foreign exchange difference	5	(289)	(519)	(4)
Cash and cash equivalents at the beginning of the period	12,277	33,409	11,962	39,449
Cash and cash equivalents at the end of the period	56,044	37,526	56,044	37,526

	2023	2022
Net working capital	38,501	38,867
- NWC as % of revenue in quarter	102%	110%

Key Developments

- Net Cash flow from operating activities in Q2 negative DKK 23.1m – H1 positive DKK 0.2m
- Net working capital end of Q2 DKK 38.5m ~ 102% of revenue in quarter



- Free cash flow in Q2 negative DKK 25.7m
- Cash and cash equivalents of DKK 56.0m end of Q2 23 compared to DKK 37.5m end of Q2'22

2023 Guidance unchanged

	Guidance
Revenue	DKK 180-200m
Gross margin	68-71%
Staff expenses & Other external costs	DKK 160-170m
Transferred to capitalized development costs	DKK 20-25m

Summary

- Our 2023 focus is to accelerate our engineering activities in software and hardware, extending our Programmable SmartNICs into new projected high-growth segments
- With performance in the middle of the guided ranges:
 - Revenue in 2023 is expected to grow 20%
 - EBITDA in 2023 will be negative 10.5mDKK

Q&A Session

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