



napa:tech;
RECONFIGURABLE COMPUTING

Q3 2023 IMS Presentation

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Q&A Session at the end of the presentation

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Agenda

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

Progress in Business, Market and Strategy

Business Status and Outlook

- Napatech continues partnerships, development and design wins that position us for new high-growth segments – anchored by
 - Strategic initiatives with Intel, delivering new IPU product in 2023, contributing to 2024 and forward
 - Enhanced R&D investments aligning with mega-trend customer requirements
 - Expanding pipeline of opportunities for 2024 design wins
- Strengthening our business results, highlighted in Q3 by
 - Increasing quarter over quarter revenue: 7.2 mUSD (44%)
 - Stronger product margins: 73%
 - Opportunity pipeline and backlog affirm our 2023 guidance

Napatech continues to execute its strategic plan anchored in:

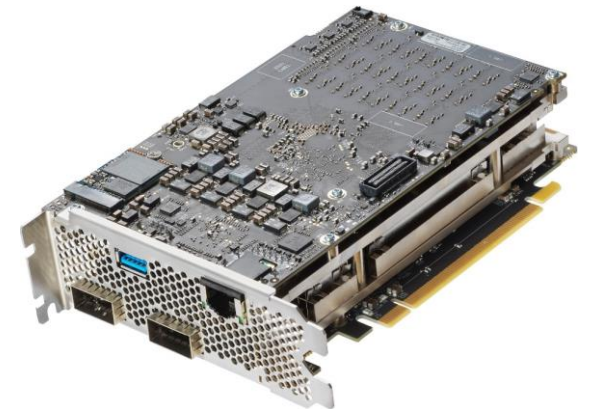
- Servicing our valuable installed base of customers, the early adopters of Programmable SmartNICs
- Accelerating our engineering in software and hardware, extending our Programmable SmartNICs into new projected high-growth segments
- Developing our ecosystem, through partnerships that expand our go-to-market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

Mega-Trends Drive Opportunities for Napatech

- New network architectures relevant to Napatech
 - Hybrid multi-cloud services
 - Telco 5G Core and Edge, Private 5G
 - Cybersecurity, monitoring, recording
 - FinTech and Financial Services
 - Storage and Content Delivery
 - Artificial Intelligence
- Napatech offloads and accelerates burdensome workloads
 - Network infrastructure processing
 - Storage processing
 - Security processing
 - Server and network virtualization

New Infrastructure Processing Unit

- Collaboration with Intel
- Newest FPGA technology
- Cloud, enterprise and telecom
- Software solutions for largest emerging use cases

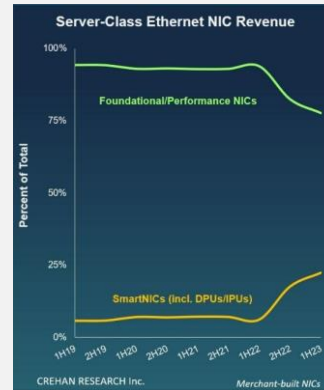


Napatech IPU F2070X
(Intel Oak Springs Canyon)

Market Update: Napatech Solutions Positioned for Growth

Crehan Research:

- October 2023 report
- IPU/DPU revenue tripled in 1H 2023
- Emerging, early stage of market
- First adopters were hyperscale CSPs
- Self-built solutions now expanding to include merchant providers



Dell'Oro Group:

- August 2023 report
- 400 Gbps NICs expanding rapidly
- Off-the-shelf SmartNIC opportunities emerge
- SmartNICs cannibalize Standard NICs



Smart NIC Market to Grow at a 42 Percent CAGR Through 2027, According to Dell'Oro Group

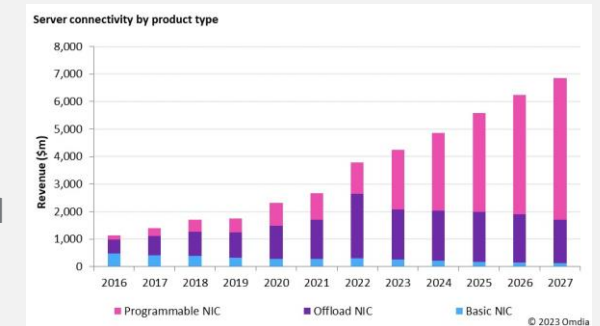
ABI Research:

- Initiates coverage 3Q 2023
- Analyzes IPU, DPU SmartNICs
- Napatech included among leaders in innovation and implementation



Omdia:

- 3Q 2023 market update
- Offload NICs begin decline
- Programmable NICs (IPU, DPU, SmartNICs) make up majority of revenue and growth within NIC market



Grow Factor: Programmable NICs (SmartNIC, IPU, DPU, Accelerator) are moving from hyperscale early-adopter self-built solutions, to mainstream IT organizations of every size

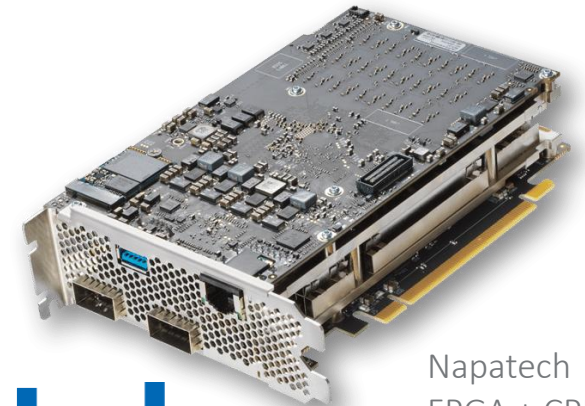
Risk Factor: Significant Server market volatility driven by macroeconomic headwinds, predict that the trend seen in 1H'23 will continue in 2H'23 and into 2024 (Omdia)

Strategy Milepost: Our Intel Journey

- Q3 Global Intel and Napatech launch of new SmartNIC and IPU
- Orderability and delivery in 2023 for early prospects
- Received first developer order from tier-1 cloud datacenter operator
- Enhanced business opportunities from current agreement
- Delivering complete solutions
 - Production-grade hardware
 - Innovative software: storage, security, networking acceleration
 - Service and support for integration and design
 - Feature-rich roadmap aligned with customer requirements
- Joint sales, marketing, business development ahead of plan
 - Unlocks new prospects with transformational scale
 - 2024 design wins with 2024-2026 ramping revenue



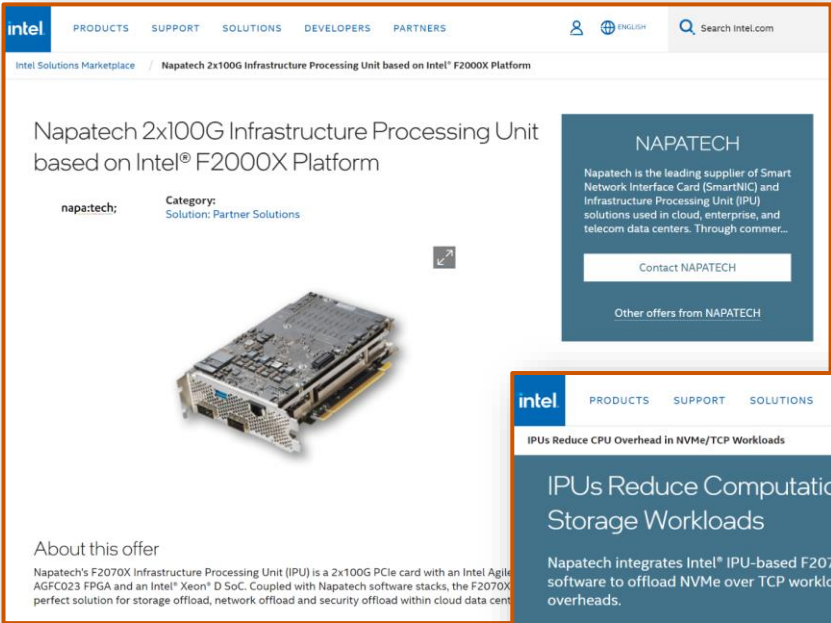
Napatech
FPGA SmartNIC



Napatech
FPGA + CPU IPU



Global Launch of new Napatech IPU at Intel Innovation and IFTD in September



[LINK: Napatech 2x100G Infrastructure Processing Unit based on Intel \(intel.com\)](#)



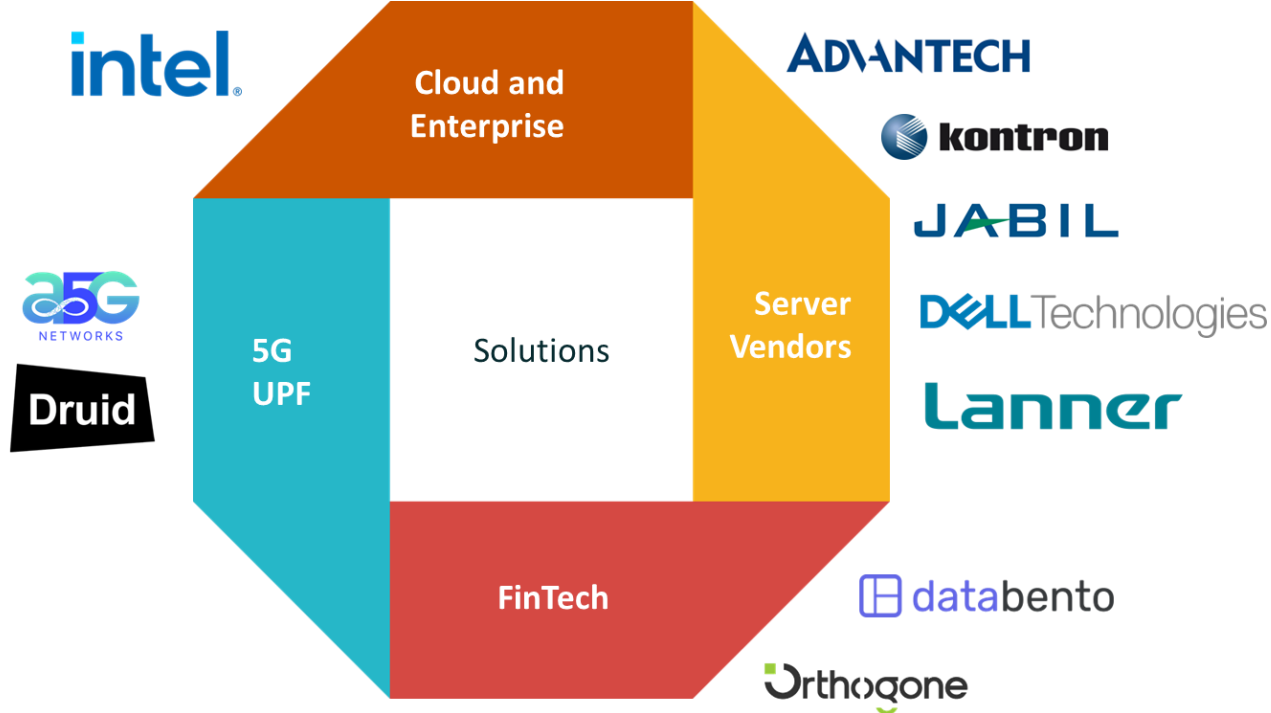
[LINK: Napatech IPUs Reduce Computational Overhead in Storage Workloads \(intel.com\)](#)

Intel Innovation and IFTD highlights

- Global launch
- Heavily promoted by Intel
- Broad customer reach
- More than 1,000 attendees
- Napatech featured in several presentations and as a guest speaker



Strategy Milepost: Expanded Customer Reach Through Partnerships



Partnerships lower the barriers to customer adoption and validate the Napatech solution by the partner for their customers

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

Q3 additions are Lanner and Dell

Financial Review and Outlook

Consolidated Income Statement Q3 2023

DKK'000	Q3		YTD Q3		Q3	YTD Q3
	2023	2022	2023	2022	Δ	Δ
Revenue	49,651	36,976	124,593	124,697	34%	0%
Cost of goods sold	(10,886)	(18,730)	(36,643)	(54,858)		
Gross profit	38,765	18,246	87,950	69,839	112%	26%
GM%	78%	49%	71%	56%		
Staff costs	(21,609)	(24,168)	(74,520)	(80,463)	-11%	-7%
Other external costs	(10,519)	(6,805)	(30,295)	(24,103)	55%	26%
EBITDAC	6,637	(12,727)	(16,865)	(34,727)		
Transferred to capitalized development costs	1,283	5,748	8,427	18,777	-78%	-55%
EBITDA	7,920	(6,979)	(8,438)	(15,950)		
Depreciation, amortization and impairment	(8,263)	(7,342)	(24,289)	(19,271)	13%	26%
Operating result (EBIT)	(343)	(14,321)	(32,727)	(35,221)		
Finance income	402	2,031	407	5,542		
Finance costs	(237)	(390)	(1,927)	(953)		
Result before tax	(178)	(12,680)	(34,247)	(30,632)		
Income tax	(409)	9	(1,081)	(24)		
Result for the period	(587)	(12,671)	(35,328)	(30,656)		

Key Figures

- Revenue in Q3 in USD up 44% compared to Q3'22 (up 34% in DKK). Revenue YTD in USD up 1% compared to Q3'22 (on par in DKK)
- GM in Q3 78% up 29 basis points compared to Q3'22. GM YTD 71% up 15 basis points compared to '22
- Staff costs in Q3 down 11% compared to Q3'22 and down 7% YTD compared to '22.
- Other external costs in Q3 up 55% compared to Q3'22 and up 26% YTD compared to '22
- Q3 EBITDAC positive DKK 6.6m, up DKK 19.4m compared to Q3'22. EBITDAC YTD negative DKK 16.9m, up DKK 17.9m compared to '22

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

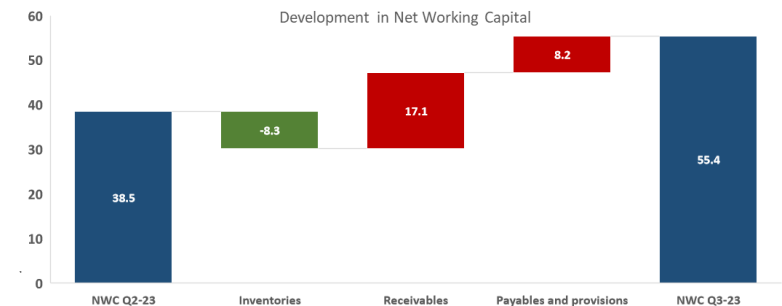
Consolidated Cash Flow Statement Q3 2023

DKK'000	Q3		YTD Q3	
	2023	2022	2023	2022
Earnings before tax (EBT)	(178)	(12,680)	(34,247)	(30,632)
Adjustments to reconcile profit before tax to net cash flows	8,596	7,390	27,657	19,189
Working capital adjustments	(16,184)	(9,369)	743	(538)
Cash flows from operating activities	(7,766)	(14,659)	(5,847)	(11,981)
Interest and tax	(1,063)	(340)	(2,821)	(829)
Net cash flows from operating activities	(8,829)	(14,999)	(8,668)	(12,810)
Net cash used in investing activities	(1,486)	(7,788)	(10,173)	(27,270)
Free cash flow	(10,315)	(22,787)	(18,841)	(40,080)
Net cash flows used in financing activities	(2,039)	12,082	51,088	27,456
Net change in cash and cash equivalents	(12,354)	(10,705)	32,247	(12,624)
Net foreign exchange difference	557	1,100	38	1,096
Cash and cash equivalents at the beginning of the period	56,044	37,526	11,962	39,449
Cash and cash equivalents at the end of the period	44,247	27,921	44,247	27,921

	2023	2022
Net working capital	55,433	50,045
- NWC as % of revenue in quarter	112%	135%

Key Developments

- Net Cash flow from operating activities in Q3 negative DKK 8.8m
- Net working capital end of Q3 DKK 55.4m ~ 112% of revenue in quarter



- Free cash flow in Q3 negative DKK 10.3m
- Cash and cash equivalents of DKK 44.2m end of Q3 23 compared to DKK 27.9m end of Q3'22

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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