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RECONFIGURABLE COMPUTING

Q1 2022 Interim Management Statement

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3 May 2022

Q&A Session at the end of the presentation

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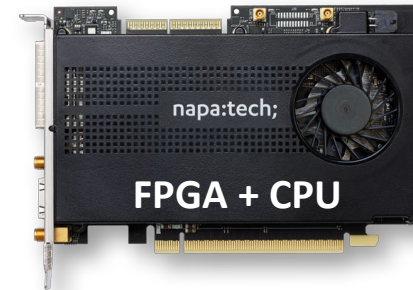
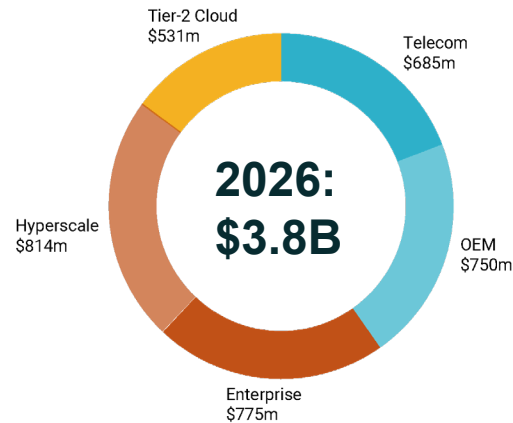
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1Q 2022 IMS Report Topics

- What Excites Us About 2022 and Beyond
- Q1 2022 Financial Results
- 2022 Outlook
- Q&A

Our Opportunities Have Never Been More Compelling

Faster Growing
SmartNIC Market



Increasing
Investments in
Evolving SmartNIC
Technology Curve

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Cybersecurity



Network Infrastructure



Cloud & Edge



Mobile Infrastructure



Financial Trading

Growing Access to
New Design Win
Opportunities

intel

Achronix
Data Acceleration

Lenovo

DELL

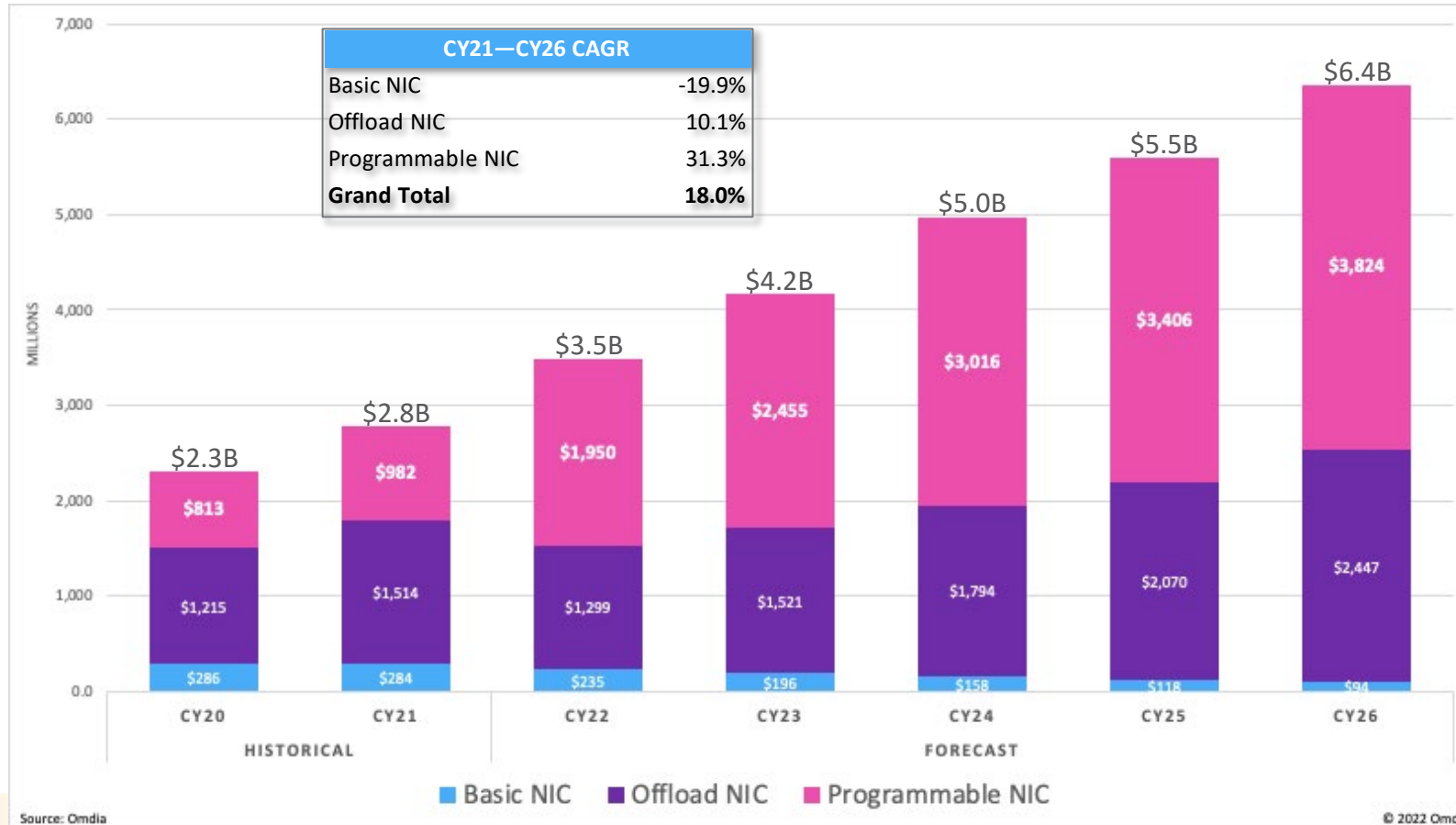
AMD
XILINX

Silicom
Connectivity Solutions Ltd.

Hewlett Packard
Enterprise

Significant Progress
with Tier-1 Strategic
Partnerships

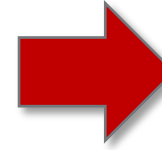
Our Market is Growing Fast and Napatech is Poised to Accelerate



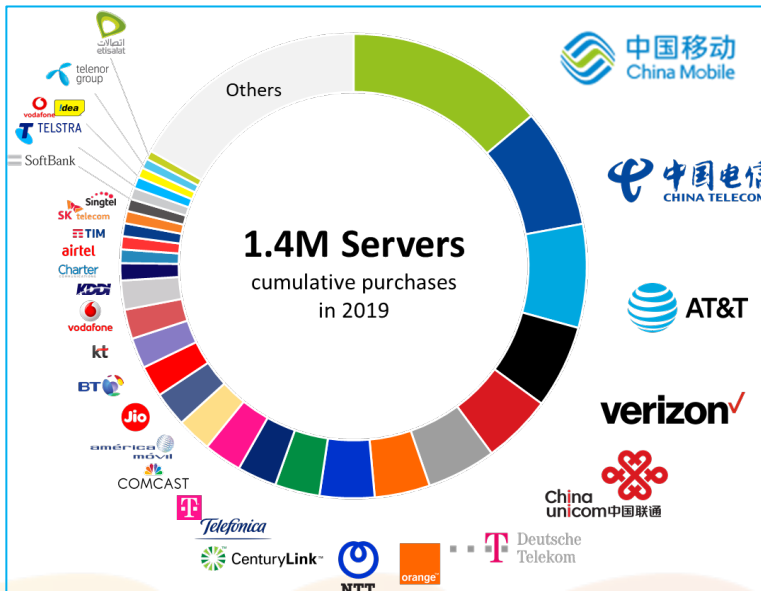
Market Share 2021			
All NICs	Share	SmartNICs	Share
NVIDIA	25.8%	Marvell	43.1%
Intel	18.8%	Xilinx	11.2%
Broadcom	11.7%	Intel	8.7%
Marvell	10.2%	Broadcom	7.9%
Microsoft	10.2%	Napatech	7.3%
Amazon	9.4%	Silicom	5.4%
Xilinx	3.2%	NVIDIA	3.6%
Silicom	1.5%	Other	12.8%
Napatech	1.1%		
Cisco	0.9%		
Other	7.2%		

Server Deployments Are Expanding the SmartNIC's Reach

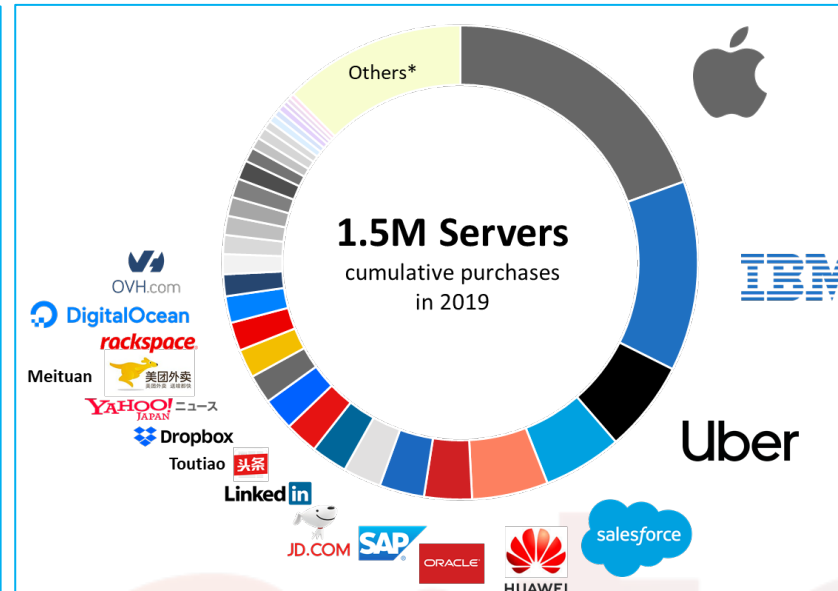
- Server Market growth: \$80B in '20 to \$138B by '26 (12% CAGR)
- Networks are built at massive scale to accelerate CPU-hungry applications in data centers



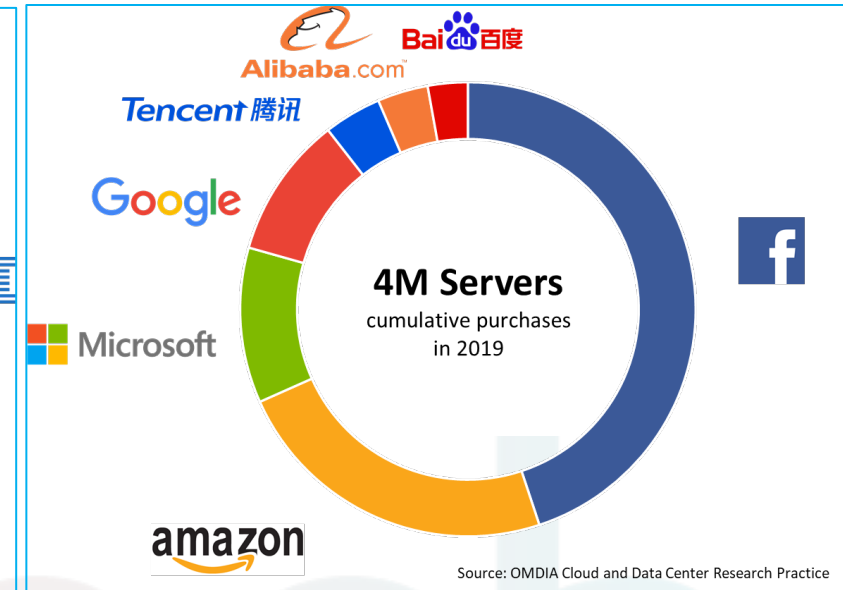
- This drives NIC and SmartNIC growth
- Servers need 2-8 NICs to increase the performance of applications



Telco Operators

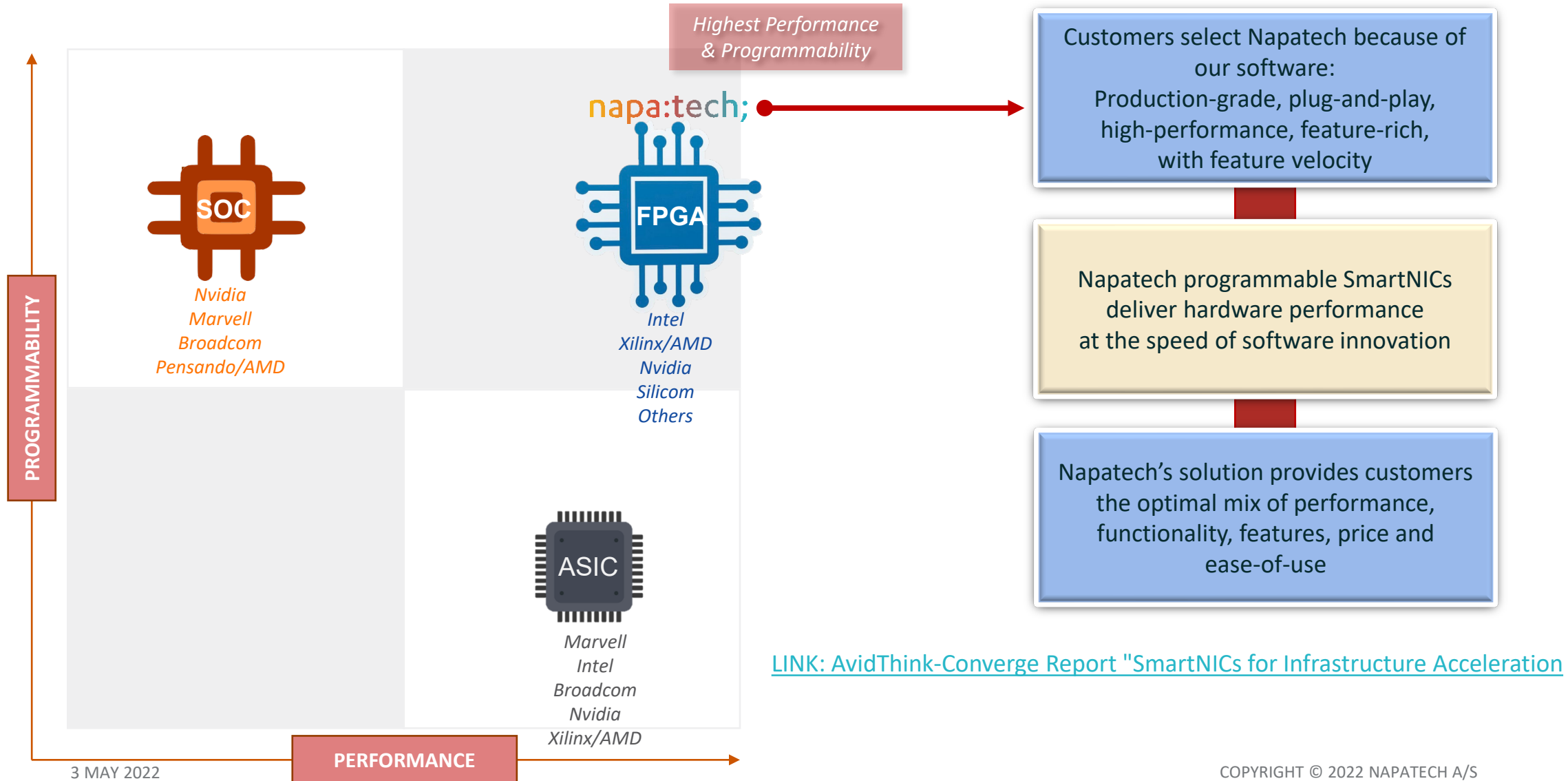


Tier-2 Cloud Operators

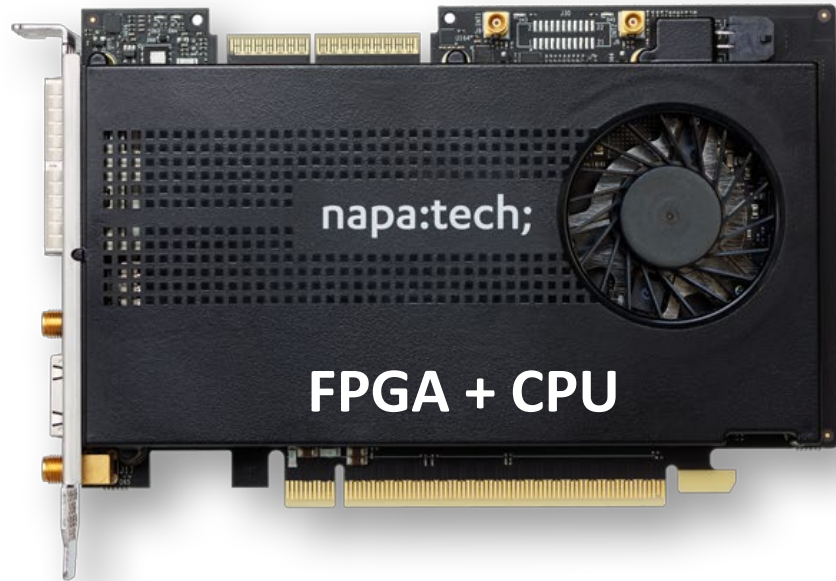


Hyperscale Cloud Operators

Napatech's is Well Positioned Amongst Market Players



Evolutionary Step for SmartNICs is the IPU/DPU



New SmartNic Architectures:

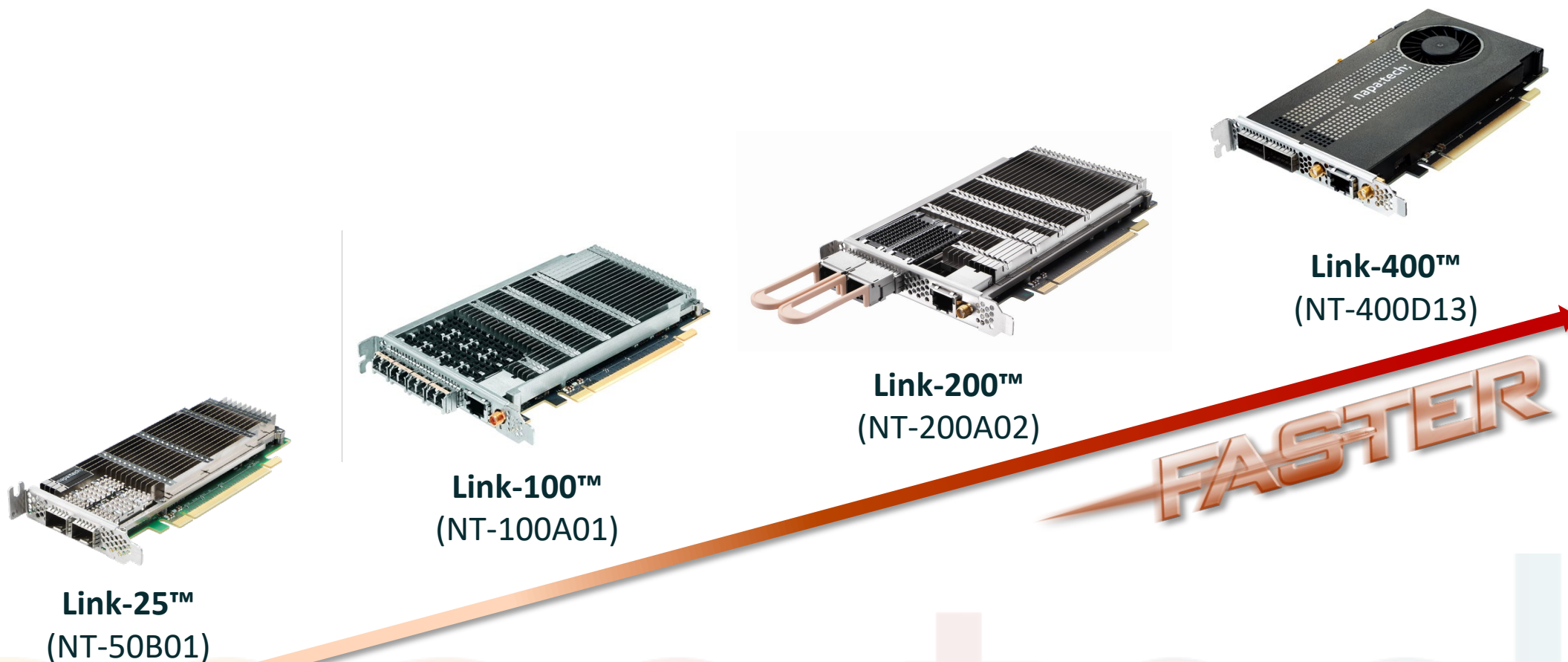
Infrastructure Processing Unit (IPU)
Data Processing Unit (DPU)

Unlocks New Customers and Use Cases:

Cloud bare-metal servers
Hypervisor offload
Microservices

- We are enhancing our SmartNIC HW solutions to include x86 and ARM CPU cores
- We are investing in our SmartNIC SW to power our expanding SmartNIC HW portfolio
- We have built key partnerships to take a leading role as this evolution occurs

We Are Aggressively Expanding Our SmartNIC Solutions To Grab More Market Potential

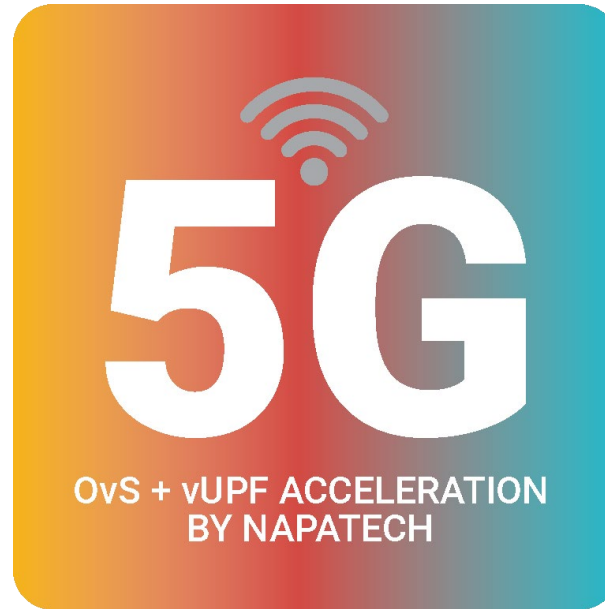


1G
10G
25G
40G
50G
100G
200G
400G

- Napatech's focus on accelerating virtualization networking functions
 - is a key technology direction

The 5G Era is Changing Everything in Telecom Infrastructure

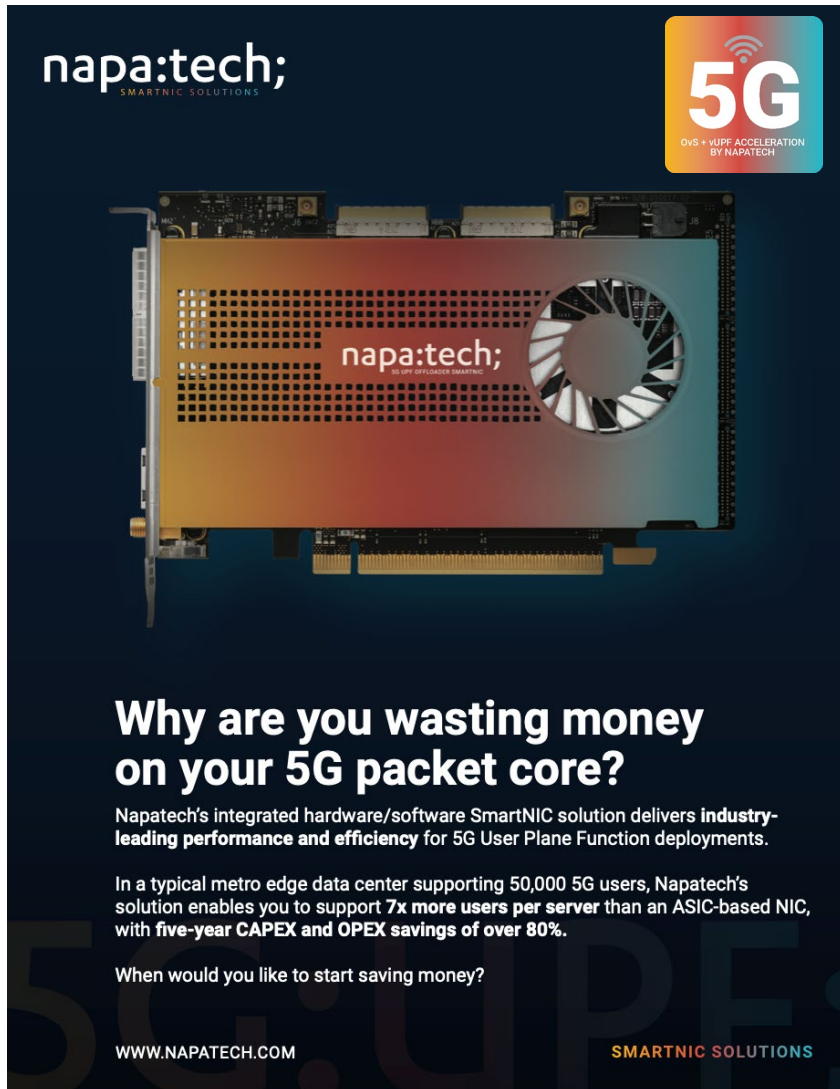
- Max speeds of 20 Gigabits per second
- Massively lower latency
- Incredibly faster response times
- Expanding so many possibilities
 - Broadband everywhere
 - Smart Vehicles, Transport
 - Critical Service Infrastructure
 - Control of Remote Devices
 - Sensor Networks



- 5G is a massive business challenge for all telcos
- Major capital investments in new spectrum and infrastructure
- Minimal increase in ARPU, and challenged ROI

Napatech is building solutions in the heart of 5G Network virtual architecture and deployments

Napatech's New SmartNIC Solution Maximizes 5G Performance



The advertisement features a central image of a Napatech SmartNIC hardware card with a fan and the company logo. The background is dark blue with a subtle '5G vUPF' watermark. Text elements include the company logo, a 5G badge, a headline, a sub-headline, a descriptive paragraph, a performance claim, a question, and a website URL.

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SMARTNIC SOLUTIONS

5G
OVS + vUPF ACCELERATION
BY NAPATECH

Why are you wasting money on your 5G packet core?

Napatech's integrated hardware/software SmartNIC solution delivers **industry-leading performance and efficiency** for 5G User Plane Function deployments.

In a typical metro edge data center supporting 50,000 5G users, Napatech's solution enables you to support **7x more users per server** than an ASIC-based NIC, with **five-year CAPEX and OPEX savings of over 80%**.

When would you like to start saving money?

WWW.NAPATECH.COM

SMARTNIC SOLUTIONS

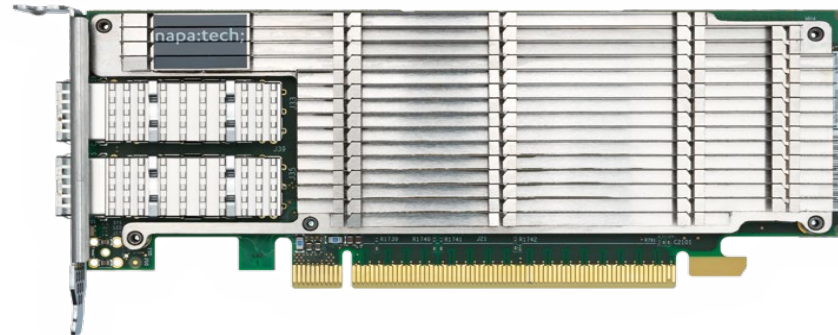
Introducing Solution for 5G User Plane Function

- Virtual User Plane Function (vUPF) is a key 5G need, but is a CPU-hungry app impacting performance of servers
- Our SmartNIC offload solution for 5G vUPF maximizes the user capacity of packet core infrastructure
- We deliver industry-leading server performance by full offload of 5G vUPF supporting 100 million concurrent flows and 85 million packets per second throughput
- For virtual UPF, we believe the market opportunity is 50,000 SmartNICs per year with a TAM of \$75M per year

With good market penetration, this represents significant upside for Napatech

The Napatech 5G Difference

- The “Other Guys”
 - 50G Throughput
 - 6M Concurrent Flows
 - Flow learning rate of 60K/sec
 - 10Mpps throughput
- Napatech NT200A02
 - 100G Full duplex throughput
 - 100M Concurrent Flows
 - Flow learning rate of 2M/sec
 - 80Mpps (proposed) throughput



*Napatech has built the most comprehensive feature set
for virtual deployments in 5G*

Key Strategic Developments in 2022



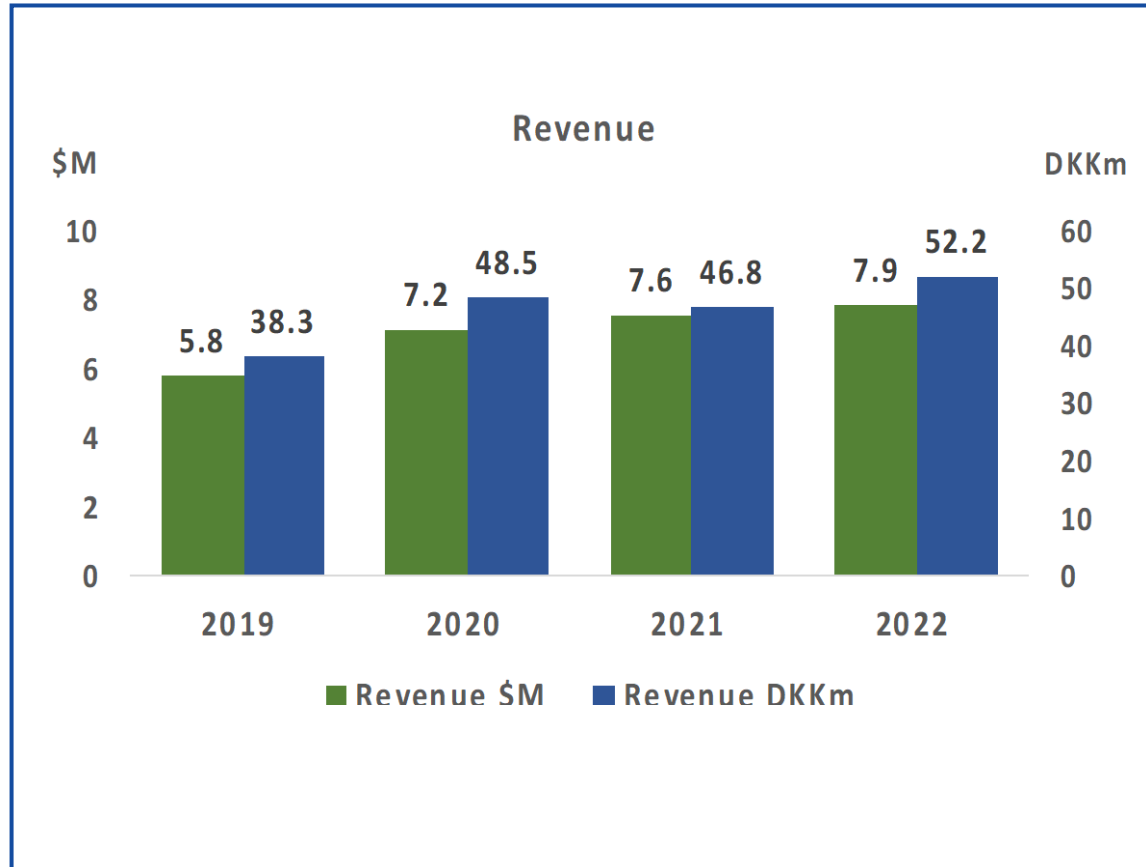
**Hewlett Packard
Enterprise**



- Lenovo continues testing with top APAC cloud and telecom/5G operators
- Achronix partnership continues to evolve
- Intel Significant Progress
 - Continued strategic partnership and developments
 - Napatech first-generation Intel-based SmartNICs coming in 2H-2022
 - Engineering collaboration on software support for VMware acceleration on Intel-based SmartNICs

Q1 2022 Financial Results

Q1 2022 Financial Results Summary



- Growth YoY
 - +12% in DKK
 - +4% in USD
- Gross Margins of 51%
 - *Lower margins due to delivery of large HW-only order with plan to buy SW later.*
 - *If SW had been shipped with the HW, revenue in Q1 would have been ~\$9.5M with 60% GM, about 25% YoY revenue growth*
- Staff Costs Well Managed
- *1H Proceeding As Expected*
- *Business is Highly Leverageable*

Q1'22 Global Customer Wins

200+ global customers with ~75% of revenue from US-based customers in 2021

75% of revenue from OEMs with long-term strategic relationships & multi-year product design wins

25% of revenue from End-Users across multiple market segments for project design wins

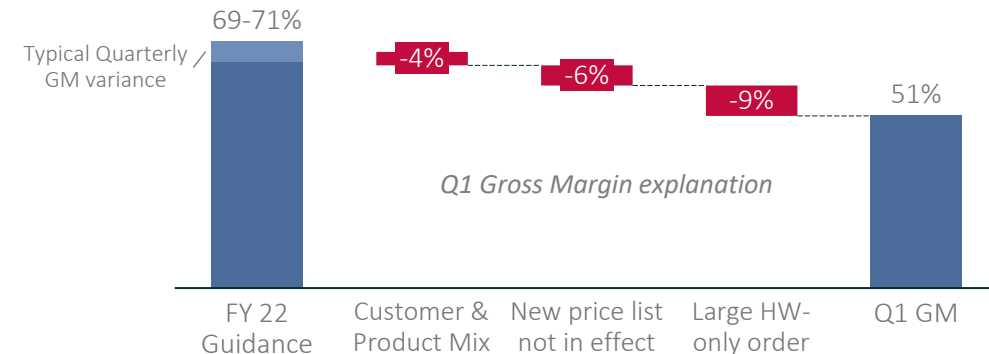


Consolidated Income Statement Q1 2022

DKK'000	Q1		Q1 Δ
	2022	2021	
Revenue	52,237	46,824	12%
Cost of goods sold	(25,600)	(14,037)	
Gross profit	26,637	32,787	-19%
GM%	51.0%	70.0%	
Other operating income	-	25	
Staff costs	(28,636)	(25,422)	13%
Other external costs	(7,090)	(4,972)	43%
EBITDAC	(9,089)	2,418	
Transferred to capitalized development costs	7,064	6,373	11%
EBITDA	(2,025)	8,791	
Depreciation, amortization and impairment	(5,706)	(5,170)	10%
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	
EBITDAC%	-17%	5%	
EBITDA%	-4%	19%	
EBIT%	-15%	8%	

Key Highlights

- Revenue in Q1 in USD up 4% compared to Q1'21 - up 12% in DKK.
- GM in Q1 51.0% down 19.0 basis points compared to Q1'21.



- Staff costs in Q1 up 13% compared to Q1'21.
- Other external costs in Q1 up 43% compared to Q1'21.
- Q1 EBITDAC negative DKK 9.1m.
- Result for the period in Q1 negative DKK 6.6m – compared to DKK 5.2m in Q1'21.

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

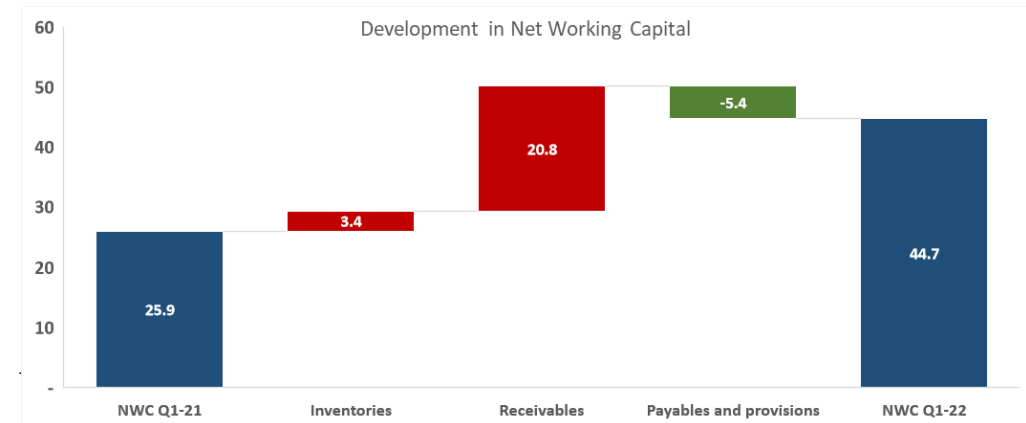
Consolidated Cash Flow Statement Q1 2022

DKK'000	Q1	
	2022	2021
Earnings before tax (EBT)	(6,589)	5,269
Adjustments to reconcile profit before tax to net cash flows	5,379	4,061
Working capital adjustments	1,005	(21,260)
Interest and tax	(67)	(99)
Net cash flows from operating activities	(272)	(12,029)
Net cash used in investing activities	(10,898)	(6,963)
Free cash flow	(11,170)	(18,992)
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

	2022	2021
Net working capital	44,669	25,914
- NWC as % of revenue in quarter	86%	55%

Key Highlights

- Net Cash flow from operating activities in Q1 negative DKK 0.3m
- Net working capital end of Q1 DKK 52.1m ~ 86% of revenue in the quarter



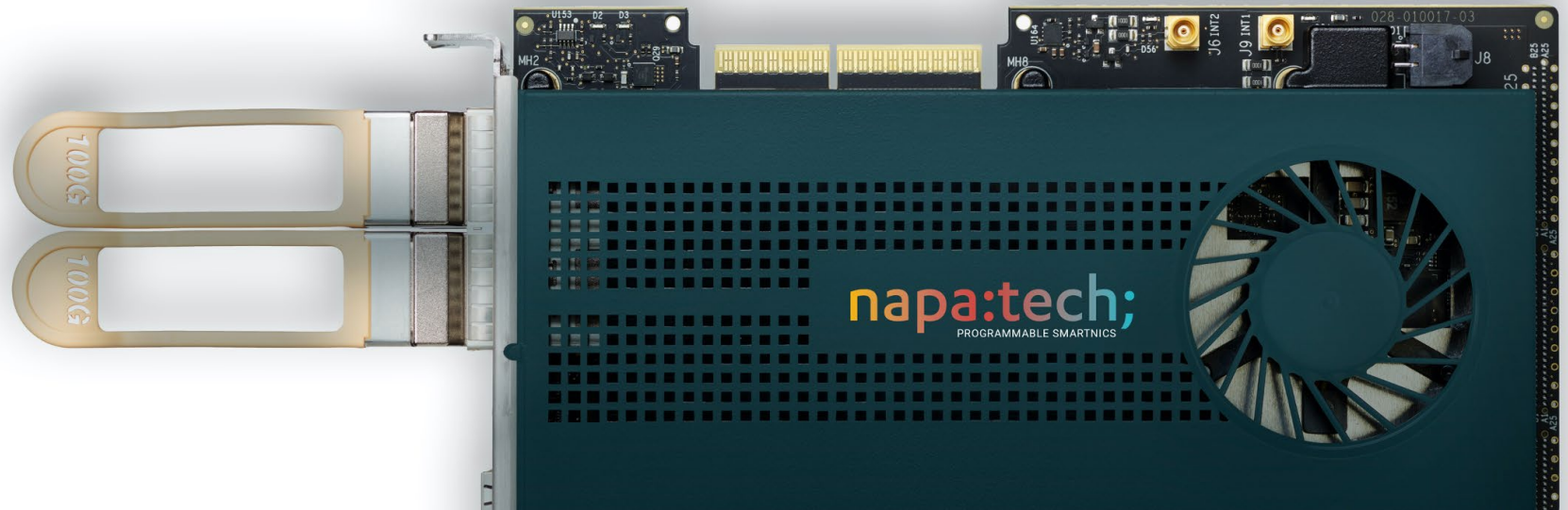
- Free cash flow in Q1 negative DKK 11.2m
- Cash and cash equivalents of DKK 33.4m end of Q1 compared to DKK 40.8m end of Q1'21

2022 Outlook

Napatech's Accelerating Investment & Going For Growth

Full Steam Ahead

- We see a large opportunity in fast-growing target use cases in cloud, mobile/telco, enterprise and edge datacenters
- Napatech's SmartNICs offload servers and accelerate apps
- Our SmartNIC software improves performance and is our key strategic advantage
- Napatech has increased investments in software development to accelerate feature velocity within this evolving market
- Progress hiring +30 full-time R&D and subcontractors has gone well
- Investments enable access to new 2022 design wins and revenue expansion for years to come



Annual Guidance for 2022

	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

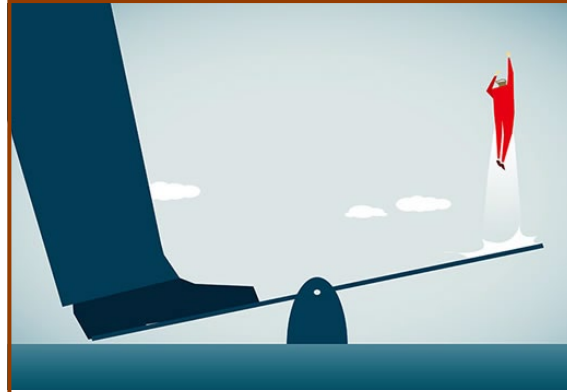
Key Highlights

- Expecting revenue in the range of DKK 235-260m corresponding to growth between 20%-33% compared to 2021.
- Component pricing challenges are factored into Gross Margins
- Increase to engineering capacity is fully accounted for within outlook
- With performance in the middle of the guided ranges, EBITDAC would be positive DKK 13.3m and EBIT would be positive DKK 18.3m

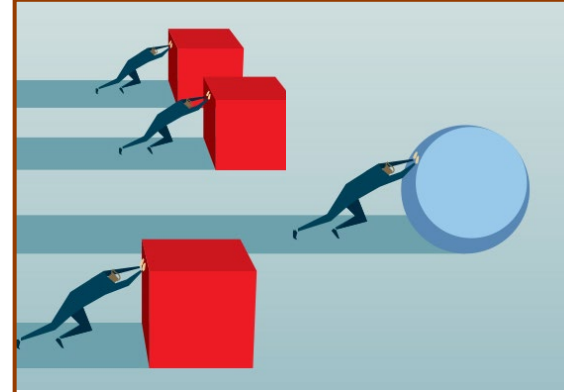
Why Invest In Napatech?



Profitable and
scalable business
model



Great reputation
with customers and
business partners



Increasing
investments in close
collaboration with
key industry leaders



Targeting high
growth, very
interesting new
market segments

Q&A Session at the end of the presentation

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Thank You!