



1Q 2021 Interim Management Presentation

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Q&A Session at the end of the presentation

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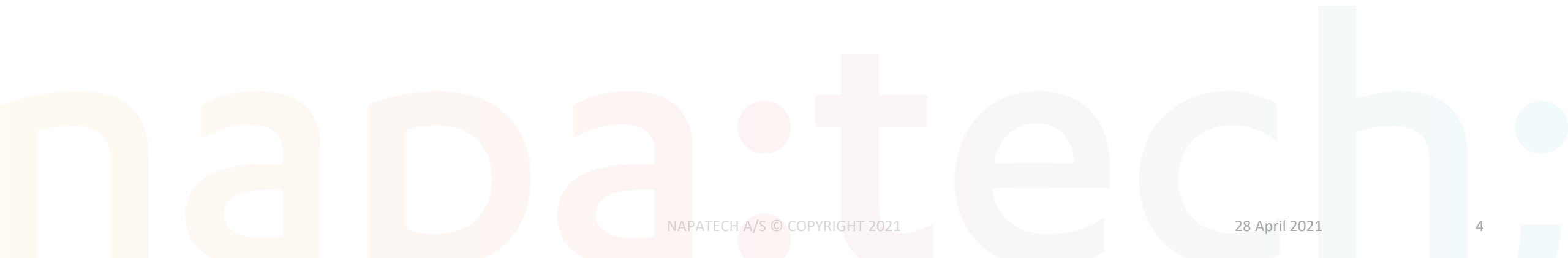
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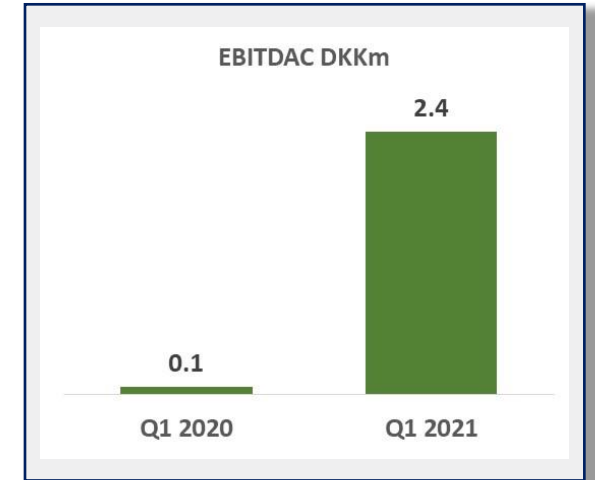
1Q 2021 IMS Report Topics

- Q1'21 Financial Summary
- Business Highlights
- Q1'21 Financial Results
- 2021 Outlook
- Q&A



2021 Starts on Track and As Expected

- ✓ Growing
- ✓ Profitable
- ✓ 1Q 2021 YoY Revenue Growth in USD **+6%**
- ✓ Gross Margins of **70%**
- ✓ EBITDAC, EBITDA & Earnings **Significantly Up** YoY



Business Highlights

Napatech is Earning a Path to the Next Level

- Focused on Application Acceleration
 - 5G Mobile, Cloud & Edge
 - Networking and Cybersecurity
 - Financial Services
- Supporting Faster Networks
 - 25G to 100G growing fast
- Making Servers More Cost Effective
 - Smaller footprint, Lower power/cost
- Solid Core Product Momentum
- Building New Product Revenues
- Winning New Design Wins
- Gaining traction on key new partnerships



Q1'21 Wins: Top Brands Deploy Napatech

Networking & Security



Increasing speeds,
evolving threats
require performance
and visibility

Telecom & Cloud



5G increases speeds,
users & devices,
greater software
virtualization needed

Government & Defense



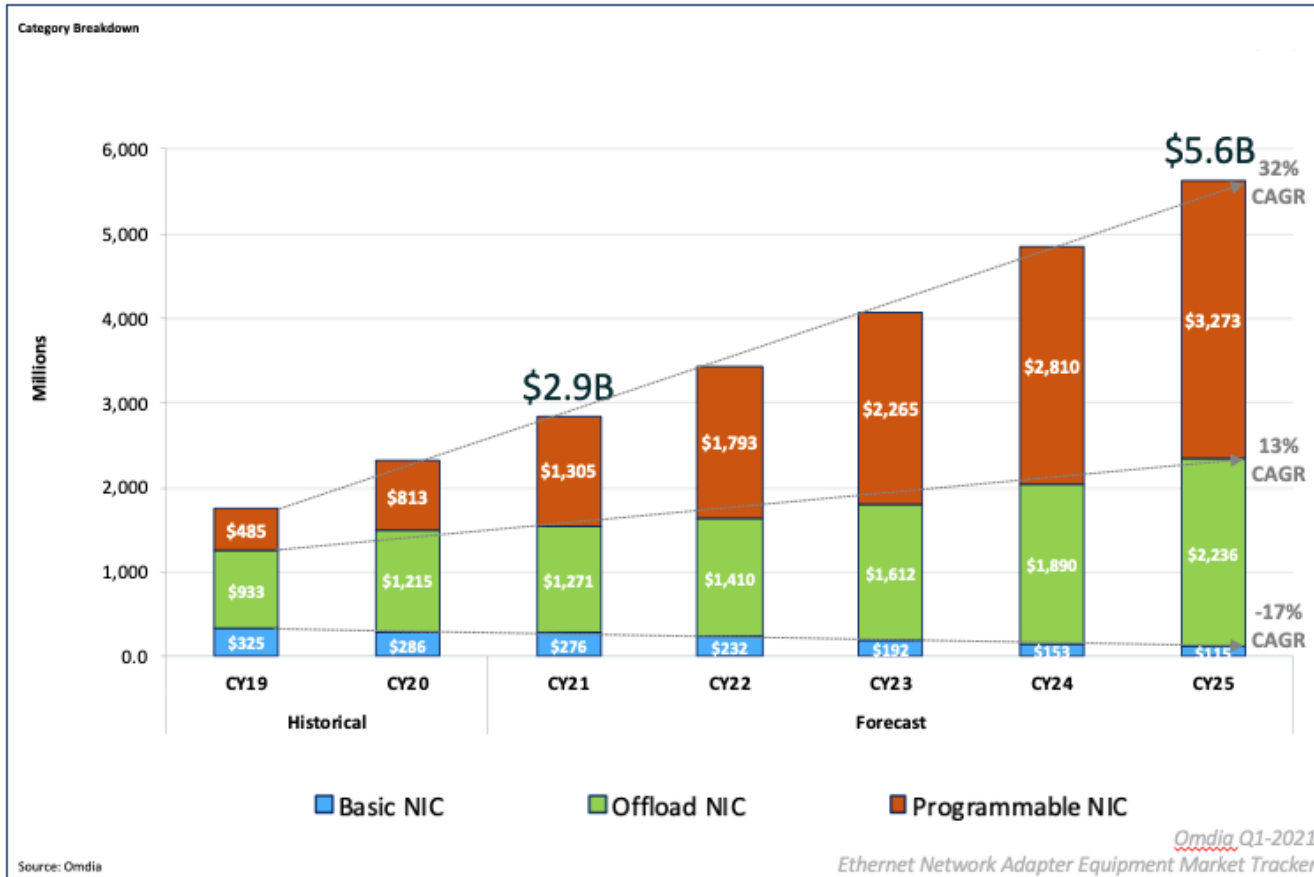
Mission-critical apps
need zero packet
loss, network
visibility & control

Financial Technology



Faster networks &
nanosecond
precision for high-
frequency trading

Napatech Emerging in Growing Market – FY2020 Market Share



- First view of 2025 forecast shows continued strong market growth
- Napatech is ranked in the top 10 of the total NIC market
- Napatech is focused on and measured in the highest growth segment of the Programmable NIC market

Market Share (%)		FY 2020
1.	NVIDIA	25%
2.	Intel	20%
3.	Broadcom	13%
4.	Microsoft	12%
5.	Marvell	8.8%
6.	Amazon	8.3%
7.	Xilinx	3.1%
8.	Silicom	1.6%
9.	Napatech	1.3%
10.	Cisco	1.2%
Other		6.1%

Programmable NIC Market Overview

Programmable NIC Market - ALL

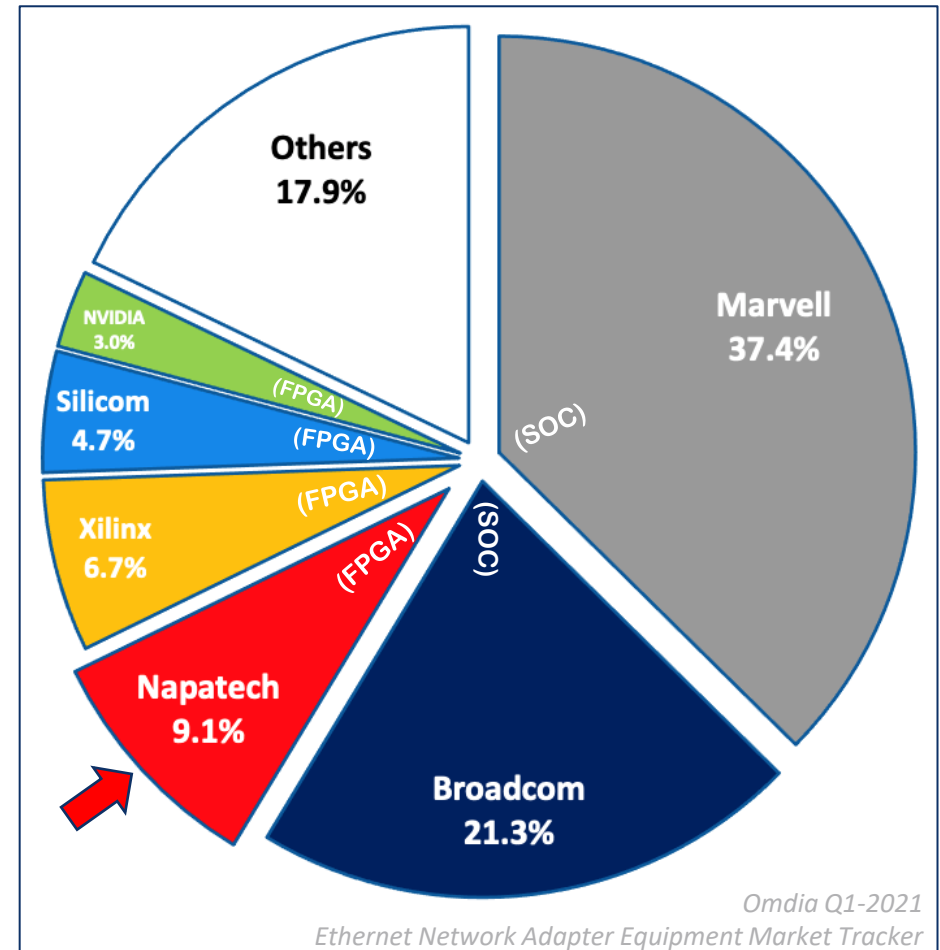
Market Share (%)		FY 2020
1.	Microsoft	35%
2.	Amazon	24%
3.	Marvell	15%
4.	Broadcom	9%
5.	Napatech	3.8%
6.	Xilinx	2.8%
7.	Silicom	1.9%
8.	NVIDIA	1.2%
9.	Intel	0.5%
Other		6.9%

Self-Build






Vendors

- Napatech ranks #3 amongst vendors
- Napatech is #1 vendor with FPGA solutions

Programmable NIC Market – VENDORS ONLY

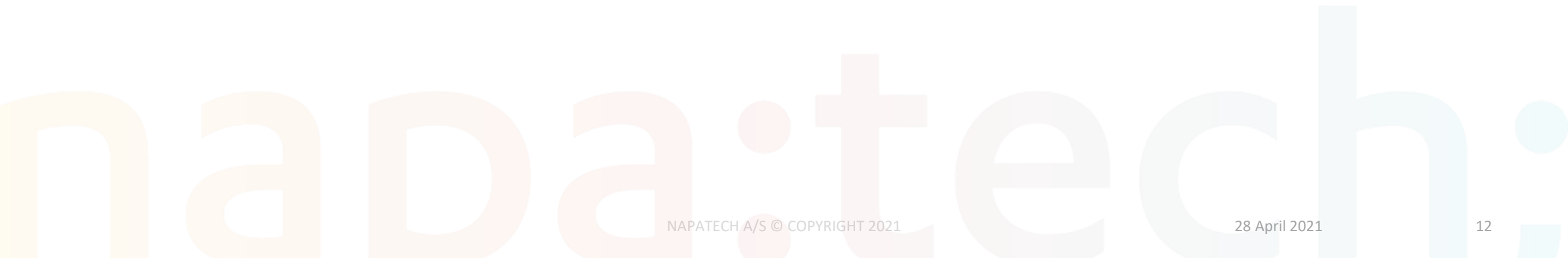


Making Progress with Partners in 2021

 <p>Partnership & OEM Design Win</p> <p>Joint Product Development</p> <p>Focused on NEW Virtualization Solution</p> <p>Delivers Improved Data Center Performance for 5G Telecommunications & Cloud SP's</p> <p>Revenue Expected 2021+</p>	 <p>Software Solution Provider</p> <p>Napatech's Virtualization SW powers joint solution</p> <p>Operates on Silicom's Intel FPGA SmartNIC</p> <p>Increases application, networking & security performance of servers in virtualized data centers</p> <p>Revenue Expected 2021+</p>	 <p>Vapor IO's Kinetic Edge Alliance</p> <p>Napatech's brings hyperscale computing benefits to network edge</p> <p>Edge computing ecosystem hosted by Vapor IO</p> <p>First fully-integrated hardware and software system for edge co-location, exchange and networking services</p>	 <p>New Partnership & FPGA Collaboration</p> <p>Growing partnership with top global FPGA silicon provider</p> <p>Collaboration in fast-growing FPGA SmartNIC domain</p> <p>Expanding to focus on opportunities within 5G and data center markets</p>	 <p>New Cybersecurity Design Win</p> <p>Important expansion within hot fast-growing cybersecurity business</p> <p>OEM design-win generating multi-year revenues</p> <p>4th platform award in past year securing enterprise and government networks</p> <p>New Revenue in 2021+</p>
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The Napatech Opportunity: Growth Strategy

- **EXPAND CORE PRODUCT** revenues with new competitive features
- **GROW NEW PRODUCT** revenues with in-line features to access growing cybersecurity market opportunities
- **TRACTION** in fast-growing **VIRTUAL** use-cases with addressable market needing apps deployed as a Virtual Instances in a VM. e.g. 5G Mobile, Cloud & Edge



Q1 2021 Financials

Consolidated Income Statement Q1 2021

DKK'000	Q1		Δ
	2021	2020	
Revenue	46,824	48,536	-4%
Cost of goods sold	(14,037)	(15,128)	
Gross profit	32,787	33,408	-2%
GM%	70.0%	68.8%	
Other operating income	25	171	
Staff costs	(25,422)	(26,121)	-3%
Other external costs	(4,972)	(7,388)	-33%
EBITDAC	2,418	70	
Transferred to capitalized development costs	6,373	3,809	67%
EBITDA	8,791	3,879	
Depreciation, amortization and impairment	(5,170)	(5,755)	-10%
Operating result (EBIT)	3,621	(1,876)	
Finance income	1,827	268	
Finance costs	(179)	(302)	
Result before tax	5,269	(1,910)	
Income tax	(99)	-	
Result for the period	5,170	(1,910)	

Key Highlights

- Revenue in Q1 in USD up 6% compared to Q1'20 – down 4% in DKK due to FX development
- GM in Q1 70.0% up 1.2 basis points compared to Q1'20
- Staff costs in Q1 down 3% compared to Q1'20
- Other external costs in Q1 down 33% compared to Q1'20
- Q1 EBITDAC positive 2.4MDKK – up 2.3MDKK compared to Q1'20
- EBT 5.3 MDKK in Q1 – up 7.2 MDKK compared to Q1'20

Consolidated Cash Flow Statement Q1 2021

DKK'000	Q1	
	2021	2020
Earnings before tax (EBT)	5,269	(1,910)
Adjustments to reconcile profit before tax to net cash flows	4,061	6,125
Working capital adjustments	(21,260)	(647)
Interest, net	(99)	(196)
Net cash flows from operating activities	(12,029)	3,372
Net cash used in investing activities	(6,963)	(3,289)
Free cash flow	(18,992)	83
Net cash flows from financing activities	(3,452)	(557)
Net change in cash and cash equivalents	(22,444)	(474)
Net foreign exchange difference	535	(172)
Cash and cash equivalents at the beginning of the period	62,698	64,306
Cash and cash equivalents at the end of the period	40,789	63,660

	31 Mar.	
	2021	2020
Net working capital	26,425	17,779
- NWC as % of revenue in quarter	56%	37%

Key Highlights

- Net Cash flow from operating activities in Q1 -12.0 MDKK
- Net working capital end of Q1 26.4 MDKK ~ 56% of revenue in quarter
- Working capital grew 21.3 MDKK in Q1
- Free cash flow -19.0 MDKK in Q1
- Cash and cash equivalents of 40.8 MDKK end of Q1 21 compared to 63.7 MDKK end of Q1'20

2021 Outlook

Annual Guidance for 2021 - unchanged

	Guidance	Middle
Revenue	DKK 210-230m	DKK 220m
Gross margin	70-72%	71%
Staff expenses & Other external costs	DKK 125-135m	DKK 130m
Transferred to capitalized development costs	DKK 20-25m	DKK 22.5m
Depreciation, amortization and impairment	DKK 20-25m	DKK 22.5m
Revenue USD	\$35.0-38.3M	\$ 36.7M
Revenue growth USD	17.8-29.1%	23.5%
EBITDAC & EBIT	DKK 22-30.6m	DKK 26.2m

Key Highlights

- Revenue growth in USD between \$35.0-\$38.3M corresponding to 17.8-29.1% growth
- Strong FX head wind compared to 2020 expected
- With performance in the middle of the guided ranges EBITDAC and EBIT would be DKK 26.2m

Why Invest In Napatech?



**STABLE
&
GROWING**



**REVENUE,
CASH FLOW
&
EARNINGS**



**EXCITING
MARKET
POTENTIAL**



**DELIVERING
PRODUCT
INNOVATION**



**WINNING
TOP
CUSTOMER
BRANDS**



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