



# 2021 Half-Year Report

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## Q&A Session at the end of the presentation

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# 2021 Half-Year Report Topics

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- 1H 2021 Financial Summary
- Business Highlights
- Market Update
- 1H 2021 Financial Results
- 2021 Outlook
- Q&A

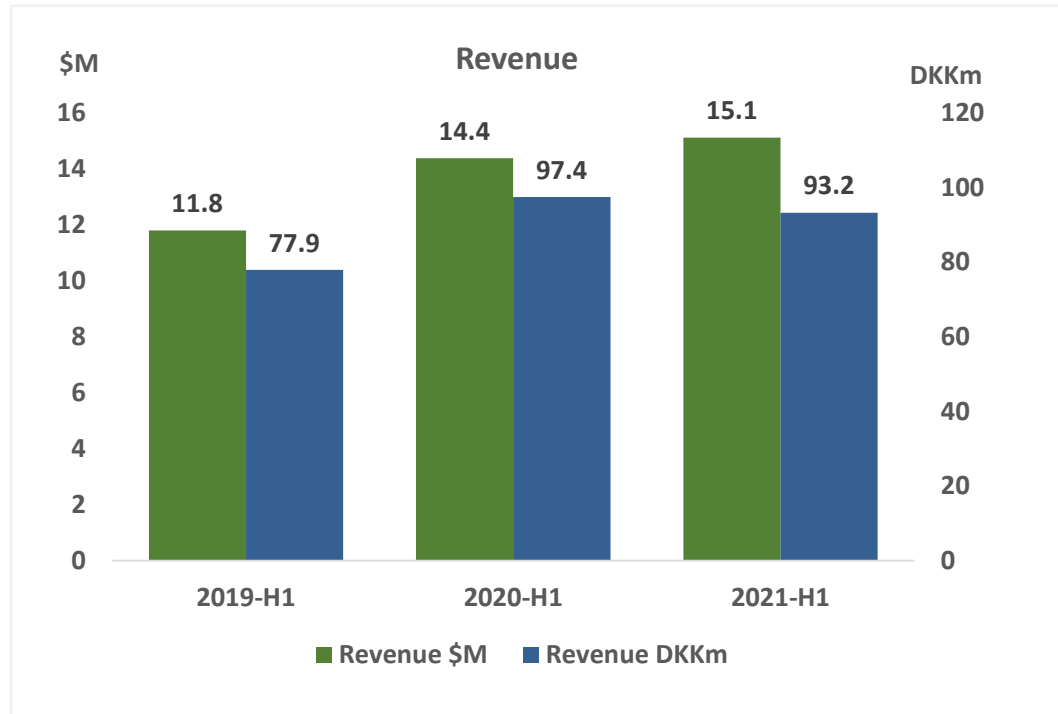
# 1H 2021 Performance Continues as Expected

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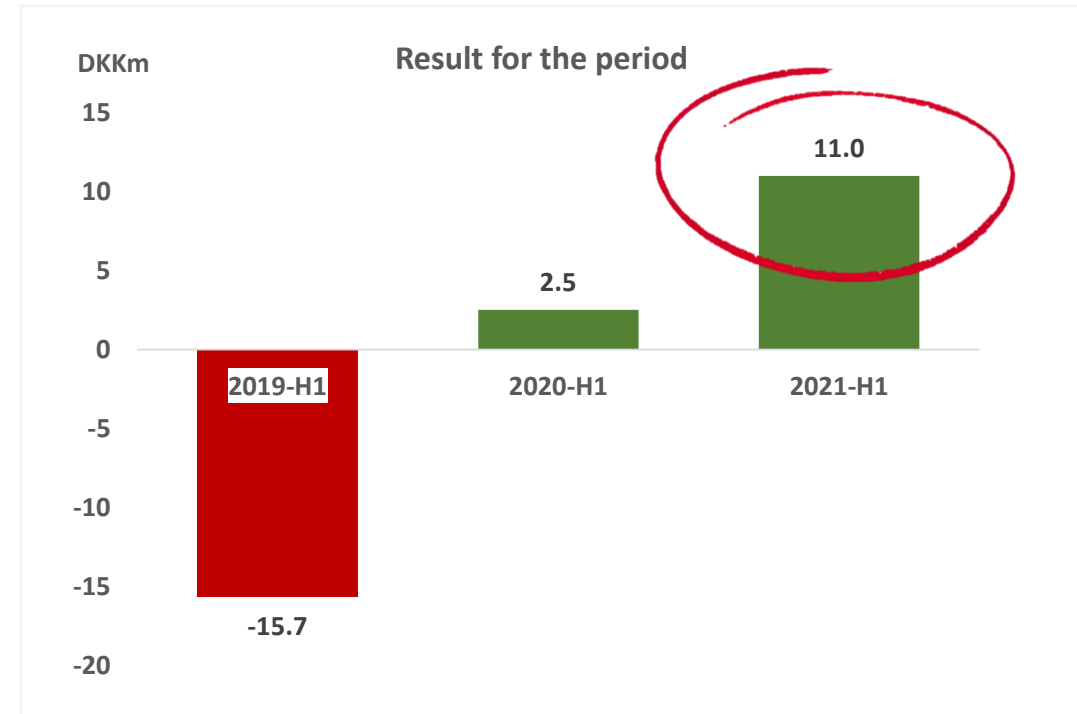
- **Growing**
- **Profitable**
- 1H 2021 YoY Revenue Growth **+5%**
- Solid Gross Margins for Q2 of **71.8%**
- Earnings Result for 1H was **Significant Up YoY** and **Growing**
- Net Cash Flow for 1H was negative reflecting the deployment of advanced use of working capital for supply chain

# 1H21 Continues with Growth and Profitability

Revenue over the last three 1H periods demonstrate the underlying strength and stability of Napatech's business



1H positive earnings demonstrates business leverage and longer-term profitable operation



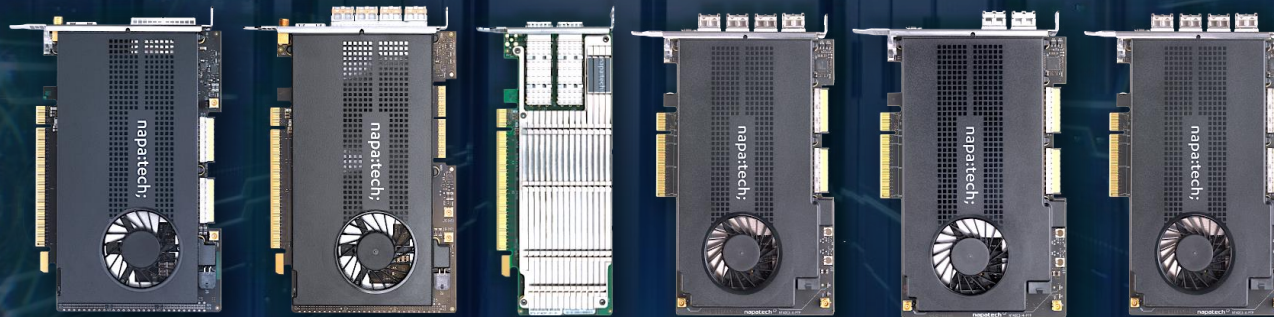


# Business Highlights



# Napatech Builds SmartNICs and SmartNIC Software

## Napatech SmartNICs Accelerate Server-based Applications

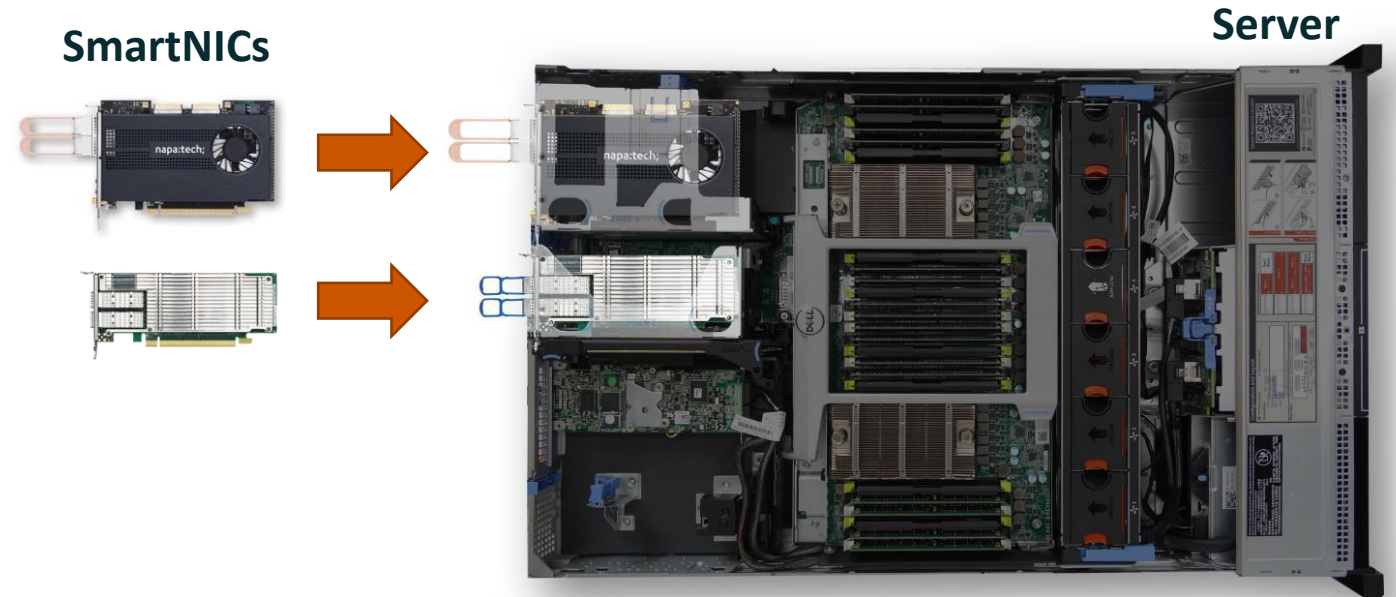


- We design high-performance programmable SmartNICs to offload servers and accelerate apps
  - Our software powers the SmartNICs - *our key strategic advantage*



# How Does Napatech Get Access to this Growing Market?

- 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



# Key Strategic Developments in 2021



## Partnership & OEM Design Win

Joint Product  
Development

Focused on NEW  
Virtualization Solution

Delivers Improved Data  
Center Performance for 5G  
Telecommunications &  
Cloud SP's



## Software Solution Provider

Napatech's Virtualization  
SW powers joint solution

Operates on Silicom's  
Intel FPGA SmartNIC

Increases application,  
networking & security  
performance of servers  
in virtualized data  
centers



## New Partnership & FPGA Collaboration

Growing partnership with  
fast-growing FPGA silicon  
provider

Collaboration in fast-  
growing FPGA SmartNIC  
domain

Expanding to focus on  
opportunities within 5G  
and data center markets

# Q2'21 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

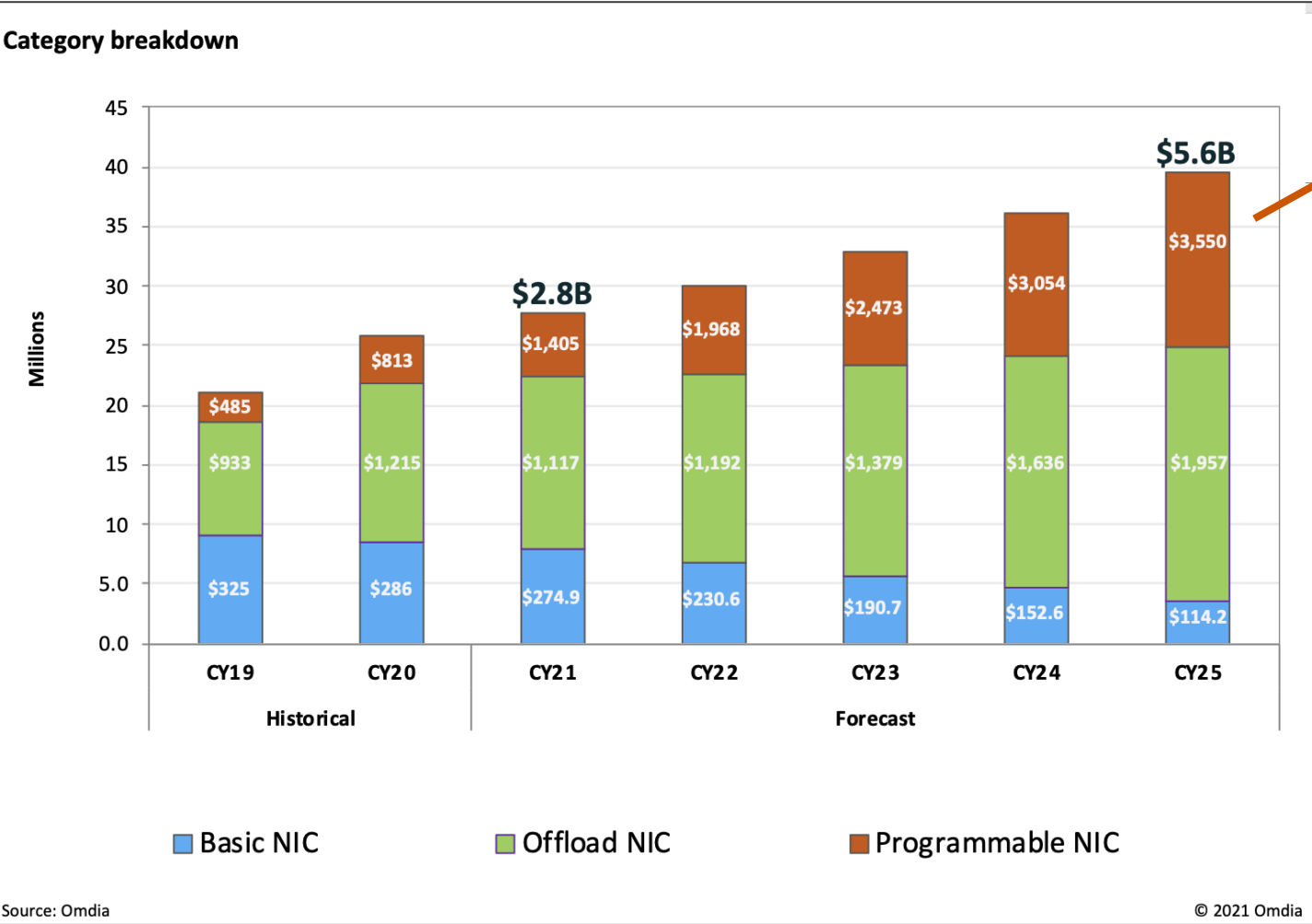
## Financial / Other



Faster networks &  
nanosecond  
precision for high-  
frequency trading



# Napatech Emerging in Growing Market



Programmable SmartNIC Market - ALL

Market Share (%)		Q1 2021
1.	Amazon	28.8%
2.	Microsoft	28.6%
3.	Marvell	18.6%
4.	Broadcom	5.1%
5.	Xilinx	3.9%
6.	Napatech	3.4%
7.	Intel	2.2%
8.	Silicom	2.1%
9.	NVIDIA	0.9%
Other		6.5%

Self-Build

Vendors

# The Napatech Opportunity: Growth Strategy

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- **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

# H1 2021 Financials



# Consolidated Income Statement Q2 & H1 2021

DKK'000	Q2		H1		Q2	H1
	2021	2020	2021	2020	Δ	Δ
Revenue	46,408	48,867	93,232	97,403	-5%	-4%
Cost of goods sold	(13,072)	(12,129)	(27,109)	(27,257)		
Gross profit	33,336	36,738	66,123	70,146	-9%	-6%
GM%	71.8%	75.2%	70.9%	72.0%		
Other operating income	-	168	25	339		
Staff costs	(24,450)	(24,462)	(49,872)	(50,583)	0%	-1%
Other external costs	(5,475)	(3,046)	(10,447)	(10,434)	80%	0%
EBITDAC	3,411	9,398	5,829	9,468		
Transferred to capitalized development costs	5,233	2,397	11,606	6,206	118%	87%
EBITDA	8,644	11,795	17,435	15,674		
Depreciation, amortization and impairment	(4,632)	(5,902)	(9,802)	(11,657)	-22%	-16%
Operating result (EBIT)	4,012	5,893	7,633	4,017		
Finance income	2,614	(240)	4,441	28		
Finance costs	(173)	(997)	(352)	(1,299)		
Result before tax	6,453	4,656	11,722	2,746		
Income tax	(618)	(219)	(717)	(219)		
Result for the period	5,835	4,437	11,005	2,527	32%	335%

## Key Highlights

- Revenue in Q2 in USD up 4% compared to Q2'20 (down 5% in DKK). Revenue in H1 in USD up 5% compared to H1'20 (down 4% in DKK)
- GM in Q2 71.8% down 3.4 basis points compared to Q2'20. GM in H1 70.9% down 1.1 basis points compared to H1'20
- Staff costs in Q2 flat compared to Q2'20 and down 1% in H1 compared to H1'20.
- Other external costs in Q2 up 80% compared to Q2'20 and flat in H1 compared to H1'20
- Q2 EBITDAC positive DKK 3.4m – down DKK 6.0m compared to Q2'20. H1 EBITDAC positive DKK 5.8m – down DKK 3.7m compared to H1'20.
- Result for the period in H1 positive DKK 11.0m – up DKK 8.5m compared H1'20.

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

# Consolidated Cash Flow Statement Q2 & H1 2021

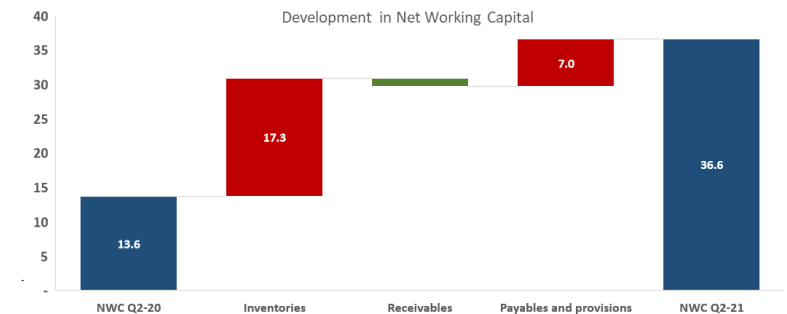
DKK'000	Q2		H1	
	2021	2020	2021	2020
Earnings before tax (EBT)	6,453	4,656	11,722	2,746
Adjustments to reconcile profit before tax to net cash flows	3,086	7,565	7,147	13,690
Working capital adjustments	(9,672)	2,974	(30,932)	2,327
Interest, net	(819)	(542)	(924)	(738)
Income tax, net	(946)	14,681	(12,975)	18,053
<b>Net cash flows from operating activities</b>	<b>(946)</b>	<b>14,681</b>	<b>(12,975)</b>	<b>18,053</b>
<b>Net cash used in investing activities</b>	<b>(3,476)</b>	<b>(2,524)</b>	<b>(10,439)</b>	<b>(5,813)</b>
<b>Free cash flow</b>	<b>(4,422)</b>	<b>12,157</b>	<b>(23,414)</b>	<b>12,240</b>
<b>Net cash flows from financing activities</b>	<b>2,169</b>	<b>(5,769)</b>	<b>(1,283)</b>	<b>(6,326)</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,253)</b>	<b>6,388</b>	<b>(24,697)</b>	<b>5,914</b>
Net foreign exchange difference	(233)	(106)	302	(278)
Cash and cash equivalents at the beginning of the period	40,789	63,660	62,698	64,306
<b>Cash and cash equivalents at the end of the period</b>	<b>38,303</b>	<b>69,942</b>	<b>38,303</b>	<b>69,942</b>

Net working capital  
 - NWC as % of revenue in quarter

2021	2020
36,600	13,640
79%	28%

## Key Highlights

- Net Cash flow from operating activities in Q2 negative DKK 0.9m – H1 negative DKK 13.0m
- Net working capital end of Q2 DKK 36.6m ~ 79% of revenue in quarter



- Free cash flow in Q2 negative DKK 4.4m
- Cash and cash equivalents of DKK 38.3m end of Q2 21 compared to DKK 69.9m end of Q2'20

# 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?



**EXCITING  
MARKET  
POTENTIAL**



**REVENUE,  
CASH FLOW  
&  
EARNINGS**



**STABLE  
&  
GROWING**



**DELIVERING  
PRODUCT  
INNOVATION**



**WINNING  
TOP  
CUSTOMER  
BRANDS**



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