

NAPATECH
HALF-YEAR REPORT 2021



napa:tech;

MANAGEMENT'S REPORT

Highlights H1:

- Revenue in USD amounted to 15.1m in H1 2021, an increase of 5% compared to H1 2020. In DKK revenue amounted to 93.2m, a decline 4% compared to H1 2020.
- Gross margin in H1 2021 was 70.9% a decline of 1.1%-points compared to H1 2020.
- Staff costs and Other external costs in H1 2021 amounted to DKK 60.3m compared to DKK 61.0m in H1 2020.
- EBITDAC in H1 2021 amounted to DKK 5.8m compared to DKK 9.5m in H1 2020.
- EBITDA in H1 2021 amounted to positive DKK 17.4m compared to positive DKK 15.7m in H1 2020.
- Depreciation, amortization, and impairment for H1 2021 were DKK 9.8m compared to DKK 11.7m in H1 2020.
- Net Cash flow from operating activities in H1 2021 was negative DKK 13.0m compared to positive DKK 18.1m in H1 2020.
- Net working capital end of H1 2021 amounted to DKK 36.6m compared to DKK 13.6m end of H1 2020 and DKK 17.4m end of 2020.
- Net cash used in investing activities in H1 2021 amounted to DKK 10.4m compared to DKK 5.8m in H1 2020.
- Cash and cash equivalents at the end of H1 2021 amounted to DKK 38.3m compared to DKK 69.9m at the end of 2020.

Highlights Q2:

- Revenue in USD amounted to 7.5m in Q2 2021, an increase of 4% compared to Q2 2020. In DKK revenue amounted to 46.4m, a decline of 5% compared to Q2 2020.
- Gross margin in Q2 2021 was 71.8% a decline of 3.4%-points compared to Q2 2020.
- Staff costs and Other external costs in Q2 2021 amounted to DKK 29.9m compared to DKK 27.5m in Q2 2020.
- EBITDAC in Q2 2021 amounted to positive DKK 3.4m compared to positive DKK 9.4m in Q2 2020.
- EBITDA in Q2 2021 amounted to positive DKK 8.6m compared to positive DKK 11.8m in Q2 2020.
- Depreciation, amortization, and impairment for Q2 2021 were DKK 4.6m compared to DKK 5.9m in Q2 2020.
- Net Cash flow from operating activities in Q2 2021 was negative DKK 0.9m compared to negative DKK 14.7m in Q2 2020.
- Net cash used in investing activities in Q2 2021 amounted to DKK 3.5m compared to DKK 2.5m in Q2 2020.

Key figures¹:

	Q2 2021	Q2 2020	H1 2021	H1 2020
Revenue USD m	7.5	7.2	15.1	14.4
Growth YoY USD m	4%	21%	5%	22%
Revenue DKK m	46.4	48.9	93.2	97.4
Growth YoY DKK m	-5%	23%	-4%	25%
Gross Margin	71.8%	75.2%	70.9%	72.0%
EBITDAC DKK m	3.4	9.4	5.8	9.5
EBITDA DKK m	8.6	11.8	17.4	15.7
Net Cash Flow from Operating Activities DKK m	-0.9	14.7	-13.0	18.1
Net Working Capital, end of period DKK m	36.6	13.6	36.6	13.6
Cash and cash equivalents, end of period DKK m	38.3	69.9	38.3	69.9

¹ Definitions: Gross Margin is calculated as 'Gross Profit' / 'Revenue'; EBITDAC is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization' before staff costs transferred to capitalized development costs; EBITDA is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization'; Net working capital represents the value of inventories, trade receivables of other current operating assets less trade payables and other current operating liabilities. Cash and cash equivalents and income tax receivable or payable are not part of the net working capital; Cash flows from operating activities are profit or loss before tax added or deducted changes in the net working capital, added or deducted changes in provisions and added the yearly depreciation and amortization; Free cash flow is net cash flow from operating activities added or deducted investing activities.

Revenue and Gross Margin*H1*

Napatech reports revenue of DKK 93.2m in the first half of 2021 compared to DKK 97.4m in the same period in 2020, equivalent to a decline 4%. In USD revenue was up 5% compared to H1 2020.

Gross margin in H1 2021 was 70.9% compared to 72.0% in H1 2020.

Q2

Napatech reports revenue of DKK 46.4m in Q2 2021 compared to DKK 48.9m in the same period in 2020, equivalent to a decline of 5%. In USD was up 4% compared to Q2 2020.

Gross margin in Q2 2021 was 71.8% compared to 75.2% in Q2 2020.

Costs*H1*

Staff costs and Other external costs in H1 2021 amounted to DKK 60.3m, compared to DKK 61.0m in H1 2020.

Operating expenses after transferal of staff costs to capitalized development costs in H1 2021 amounted to DKK 48.7m, compared to DKK 54.8m in H1 2020.

Q2

Staff costs and Other external costs in Q2 2021 amounted to DKK 29.9m, compared to DKK 27.5m in Q2 2020.

Operating expenses after transferal of staff costs to capitalized development costs in Q2 2021 amounted to DKK 24.7m, compared to DKK 25.1m in Q2 2020.

EBITDAC and EBITDA*H1*

Earnings before Interest, Tax, Depreciation, Amortization, and Capitalization of development cost (EBITDAC) amounted to DKK 5.8m in H1 2021 compared to DKK 9.5m in H1 2020.

EBITDA in H1 2021 was positive DKK 17.4m compared to positive DKK 15.7m in H1 2020.

Q2

EBITDAC amounted to positive DKK 3.4m in Q2 2021 compared to positive DKK 9.4m in Q2 2020.

EBITDA in Q2 2021 was positive DKK 8.6m compared to positive DKK 11.8m in Q2 2020.

Depreciation, amortization, and impairment*H1*

Depreciation, amortization, and impairment in H1 2021 were DKK 9.8m compared to DKK 11.7m in Q2 2020.

Q2

Depreciation, amortization, and impairment in Q2 2021 were DKK 4.6m compared to DKK 5.9m in Q2 2020.

Financial Items*H1*

Financial items for H1 2021 were positive DKK 4.1m compared to negative DKK 1.3m in H1 2020.

Q2

Financial items for Q2 2021 were positive DKK 2.4m compared to positive DKK 1.2m in Q2 2020.

Taxes*H1*

Taxes for H1 2021 amounted to negative DKK 0.7m compared to negative DKK 0.2m in H1 2020.

Q2

Taxes for Q2 2021 amounted to negative DKK 0.6m compared to negative DKK 0.2m in Q2 2020.

Investments*H1*

Total net cash used in investing activities in H1 2021 were DKK 10.4m and DKK 13.2m was invested in new product development. In H1 2020 total net cash used in investing activities were DKK 5.8m and which DKK 7.0m was invested in new product development.

Q2

Total net cash used in investing activities in Q2 2021 were DKK 3.5m and DKK 6.3m was invested in new product development. In Q2 2020 total net cash used in investing activities were DKK 2.5m and which DKK 2.8m was invested in new product development.

Cash Flow*H1*

Net cash flow from operating activities in H1 2021 was negative DKK 13.0m compared to positive DKK 18.1m in H1 2020.

Free cash flow in H1 2021 amounted to negative DKK 23.4m compared to positive DKK 12.2m in H1 2020.

Net cash from financing activities in H1 2021 was negative DKK 1.3m, compared to negative DKK 6.3m H1 2020.

Cash and cash equivalents end of H1 2021 was DKK 38.3m compared to DKK 69.9m at the end of 2020.

Q2

Net cash flow from operating activities in Q2 2021 was negative DKK 0.9m compared to positive DKK 14.7m in Q2 2020.

Free cash flow in the quarter amounted to negative DKK 4.4m compared to positive DKK 12.2m in Q2 2020.

Net cash from financing activities in Q2 2021 was positive DKK 2.2m, compared to negative DKK 5.8m in Q2 2020.

Changes in equity

The company's equity amounted to DKK 102.2m on June 30, 2021.

In H1 2020 equity was increased by comprehensive income by DKK 11.2m.

Shareholders and Share Information

Napatech as of June 30, 2021, had 83,085,885 shares, each with a nominal value of DKK 0.25. The share capital is DKK 20,771,471.25 divided among the 1,522 shareholders.

Investor	No. of shares	% of total	TYPE
VERDANE CAPITAL VIII K/S	22,613,618	27.21%	Ordinary
SUNDT AS	10,245,587	12.33%	Ordinary
LUDVIG LORENTZEN AS	6,000,000	7.22%	Ordinary
SKANDINAVISKA ENSKILDA BANKEN AB	4,262,698	5.13%	Nominee
BROWNSKE BEVEGELSER AS	2,500,000	3.01%	Ordinary
SKANDINAVISKA ENSKILDA BANKEN AB	2,462,533	2.96%	Nominee
NORDNET BANK AB	2,244,064	2.70%	Nominee
MP PENSJON PK	2,044,584	2.46%	Ordinary
SKANDINAVISKA ENSKILDA BANKEN AB	1,669,791	2.01%	Nominee
PRIVATE INVESTOR	1,560,055	1.88%	Ordinary
THE BANK OF NEW YORK MELLON SA/NV	1,459,728	1.76%	Nominee
DANSKE BANK A/S	1,384,598	1.67%	Nominee
NORDEA BANK ABP	1,333,809	1.61%	Nominee
ARBEJDSMARKEDETS TILLÆGSPENSION	1,251,178	1.51%	Ordinary
VERDIPAPIRFONDET STOREBRAND VEKST	1,029,503	1.24%	Ordinary
MARSTAL AS	906,120	1.09%	Ordinary
BNP PARIBAS SECURITIES SERVICES	902,273	1.09%	Nominee
EXTELLUS AS	876,157	1.05%	Ordinary
HSBC TRINKAUS & BURKHARDT AG	857,000	1.03%	Nominee
INRO HOLDING AS	820,000	0.99%	Ordinary
Total number owned by top 20	66,423,296	79.93%	
Total 1502 other shareholders	16,662,589	20.08%	
Total Number of shares	83,085,885	100%	

Events after the end of the period

No significant events have occurred after the end of the reporting period.

Outlook for 2021

The 2021 guidance remains unchanged:

	Guidance
Revenue	DKK 210-230m
Gross margin	70-72%
Staff expenses & Other external costs	DKK 125-135m
Staff costs transferred to capitalized development costs	DKK 20-25m
Depreciation and amortization	DKK 20-25m

With performance in the middle of the guided ranges, EBITDAC and EBIT would be positive DKK 26.2m.

The company is exposed to risks that might affect our ability to reach our goals such as currency fluctuations, general market uncertainty, and material changes in our large OEMs' needs for Napatech's products.

Disclaimer:

This report may contain statements regarding the future in connection with Napatech growth initiatives, profit figures, outlook, strategies, and objectives. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have considered and adopted the interim report of Napatech Group for the period from January 1 to June 30, 2021

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU, and additional Danish interim reporting requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at June 30, 2021, and of the results of the Group's operations and cash flows for the period January 1 to June 30, 2021.

We find that the Management's commentary provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period and the general financial position of the Group and describes the major risks and elements of uncertainty faced by the Group. The term Company below refers as well to the Group.

The interim report is unaudited and has not been reviewed by the company's auditors

Søborg, August 18, 2021

Executive Management



Ray Smets, CEO



Heine Thorsgaard, CFO

Board of Directors



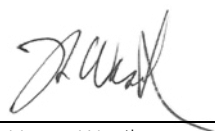
Lars Boilesen, Chairman



Howard Bubb



Christian Jepsen



Henry Wasik

INCOME STATEMENT

For the period ended June 30, 2020

DKK'000	Note	2nd quarter		YTD June	
		2021	2020	2021	2020
Revenue	3	46,408	48,867	93,232	97,403
Cost of goods sold		(13,072)	(12,129)	(27,109)	(27,257)
Gross profit		33,336	36,738	66,123	70,146
Other operating income		-	168	25	339
Staff costs		(24,450)	(24,462)	(49,872)	(50,583)
Other external costs		(5,475)	(3,046)	(10,447)	(10,434)
EBITDAC		3,411	9,398	5,829	9,468
Transferred to capitalized development costs		5,233	2,397	11,606	6,206
EBITDA		8,644	11,795	17,435	15,674
Depreciation, amortization and impairment		(4,632)	(5,902)	(9,802)	(11,657)
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

Earnings / (loss) per share:	4	2nd quarter		YTD June	
		2021	2020	2021	2020
Basic, DKK		0.07	0.05	0.13	0.03
Diluted, DKK		0.07	0.05	0.13	0.03

STATEMENT OF COMPREHENSIVE INCOME

For the period ended June 30, 2020

DKK'000	YTD June	
	2021	2020
Result for the period	11,005	2,527
<i>Items that may be reclassified to profit and loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	229	(27)
Other comprehensive income after tax	229	(27)
Total comprehensive income	11,234	2,500

CASH FLOW STATEMENT
 For the period ended June 30, 2020

DKK'000	2nd quarter		YTD June	
	2021	2020	2021	2020
Operating activities				
Income/Loss before tax	6,453	4,656	11,722	2,746
Adjustments to reconcile profit before tax to net cash flows				
Finance income	(2,614)	240	(4,441)	(28)
Finance costs	173	997	352	1,299
Depreciation, amortisation and impairment	4,632	5,902	9,802	11,657
Gain/loss on the sale of non-current assets	-	(168)	(25)	(339)
Share-based payment expense	895	594	1,459	1,101
Working capital adjustments				
Change in inventories	(5,845)	1,646	(3,388)	4,339
Change in trade and other receivables and right-of-return asset	(7,472)	(3,732)	(15,063)	(6,036)
Change in trade and other payables, provisions, refund liability and contract liabilities	3,645	5,060	(12,481)	4,024
Interest received	6	28	12	28
Interest paid	(103)	(230)	(208)	(426)
Income tax received, net	(716)	(312)	(716)	(312)
Net cash flows from operating activities	(946)	14,681	(12,975)	18,053
Investing activities				
Proceeds from sale of tangible assets	-	-	25	3
Purchase of tangible assets	(815)	(71)	(1,259)	(251)
Proceeds from sale of intangible assets	3,578	321	3,986	447
Investments in intangible assets	(6,295)	(2,777)	(13,243)	(6,954)
Investments in leasehold deposits	56	3	52	942
Net cash used in investing activities	(3,476)	(2,524)	(10,439)	(5,813)
Free cash flow	(4,422)	12,157	(23,414)	12,240
Financing activities				
Capital increase	32	-	32	-
Share buyback	(273)	-	(273)	-
Payment of financial lease liabilities	(808)	(1,060)	(1,760)	(2,121)
Increase of borrowings	-	(3,292)	-	-
Repayment of borrowings	3,218	(1,417)	718	(4,205)
Net cash flows (used in) / from financing activities	2,169	(5,769)	(1,283)	(6,326)
Net change in cash and cash equivalents	(2,253)	6,388	(24,697)	5,914
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
Cash and cash equivalents at the end of the period	38,303	69,942	38,303	69,942

BALANCE SHEET

ASSETS

DKK'000	Note	30 June 2021	31 Dec. 2020	30 June 2020
Development projects, completed		18,204	23,328	29,134
Development projects, in progress		18,606	7,760	5,211
Patents		3,370	3,697	4,137
Intangible assets	5	40,180	34,785	38,482
Plant and equipment		1,600	1,228	523
Right-of-use assets		8,486	9,412	10,891
Leasehold improvements		732	301	423
Tangible assets		10,818	10,941	11,837
Deferred tax asset		4,938	4,932	-
Leasehold deposits		1,355	1,407	1,416
Other non-current assets		6,293	6,339	1,416
Non-current assets		57,291	52,065	51,735
Inventories		22,462	19,074	5,193
Trade receivables		30,173	15,802	21,542
Right-of-return asset		112	112	3,609
Other receivables		3,136	3,057	9,527
Income tax receivable		47	47	3,055
Cash and cash equivalents		38,303	62,698	69,942
Current assets		94,233	100,790	112,868
Total assets		151,524	152,855	164,603

EQUITY AND LIABILITIES

DKK'000	Note	30 June 2021	31 Dec. 2020	30 June 2020
Share capital	6	20,771	20,767	20,767
Share premium		290,378	290,330	290,329
Foreign currency translation reserve		(54)	(283)	323
Other capital reserves		7,464	6,744	5,582
Retained earnings		(216,339)	(227,790)	(234,948)
Equity		102,220	89,768	82,053
Other non-current financial liabilities		5,597	6,181	12,486
Non-current lease liabilities		5,911	6,827	8,183
Non-current liabilities		11,508	13,008	20,669
Interest-bearing loans and borrowings		13,802	12,500	26,003
Other current financial liabilities		-	-	6,123
Current lease liabilities		2,848	2,953	3,524
Trade payables		3,362	11,014	2,219
Other payables		14,973	21,667	17,149
Provisions		531	1,529	1,419
Contract liabilities		1,863	-	-
Refund liabilities		417	416	5,444
Current liabilities		37,796	50,079	61,881
Total liabilities		49,304	63,087	82,550
Total equity and liabilities		151,524	152,855	164,603

STATEMENT OF CHANGES IN EQUITY

DKK'000	Share capital	Share premium	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total equity
H1 2021						
Equity at January 1	20,767	290,330	(283)	6,744	(227,790)	89,768
Result for the period	-	-	-	-	11,005	11,005
Total other comprehensive income	-	-	229	-	-	229
Total comprehensive income for the period	-	-	229	-	11,005	11,234
Transactions with shareholders						
Issue of shares	4	28	-	-	-	32
Share buyback	-	-	-	-	(273)	(273)
Reversal, exercised and lapsed options	-	20	-	(739)	719	-
Share-based payments	-	-	-	1,459	-	1,459
Equity at June 30	20,771	290,378	(54)	7,464	(216,339)	102,220
H1 2020						
Equity at January 1	20,767	290,329	350	4,492	(237,486)	78,452
Result for the period	-	-	-	-	2,527	2,527
Total other comprehensive income	-	-	(27)	-	-	(27)
Total comprehensive income for the period	-	-	(27)	-	-	(27)
Transactions with shareholders						
Reversal, exercised and lapsed options	-	-	-	(11)	11	-
Share-based payments	-	-	-	1,101	-	1,101
Equity at June 30	20,767	290,329	323	5,582	(234,948)	82,053
2020						
Equity at January 1	20,767	290,329	350	4,492	(237,486)	78,452
Result for the period	-	-	-	-	9,595	9,595
Total other comprehensive income	-	-	(633)	-	-	(633)
Total comprehensive income for the period	-	-	(633)	-	-	(633)
Transactions with shareholders						
Reversal, exercised and lapsed options	-	1	-	(102)	101	-
Share-based payments	-	-	-	2,354	-	2,354
Equity at December 31	20,767	290,330	(283)	6,744	(227,790)	89,768

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and additional Danish disclosure requirements for listed companies.

The accounting policies are consistent with those applied to the consolidated financial statements for 2020.

The consolidated financial statements for 2020 contain a full description of accounting policies.

The interim consolidated financial statements

The interim consolidated financial statements comprise the parent company, Napatech A/S, and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition and/or incorporation, being the date on which the parent company obtains control, until the date when such control ceases. The interim financial statements of the subsidiaries are prepared for the same reporting period as the parent company interim financial statements, using consistent accounting policies. The interim consolidated financial statements are prepared as a consolidation of the parent company's and the subsidiaries' interim financial statements, eliminating all intra-group balances, transactions, unrealized gains and losses and dividends.

The interim consolidated financial statements are prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value.

The interim consolidated financial statements are presented in thousand Danish kroner (DKK'000).

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the interim consolidated financial statements requires the management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities.

The accounting judgments, estimates, and assumptions that management make is the same for these interim consolidated financial statements as for the consolidated financial statements for 2020.

3. OPERATING SEGMENTS

The following tables present revenue and gross profit information about the Group's operating segments for H1 2021 and H1 2020, respectively:

H1 2021			
DKK'000	AMERICAS	ROW	CONSOLIDATED
Revenue			
Total revenue	71,564	21,636	93,200
Cost of goods sold	(22,713)	(4,396)	(27,109)
Segment gross profit	48,851	17,240	66,091

H1 2020			
DKK'000	AMERICAS	ROW	CONSOLIDATED
Revenue			
Total revenue	75,597	21,806	97,403
Cost of goods sold	(22,125)	(5,132)	(27,257)
Segment gross profit	53,472	16,674	70,146

Explanation of abbreviations:

AMERICAS = North & South America ROW = Rest of the World

The Group's revenue relates to a single product category (SmartNIC products) why management has assessed that no further firm-wide disclosures according to IFRS 15 are necessary.

Adjustments and eliminations

Research and development costs, selling and distribution expenses, administrative expenses, finance income, and costs are not allocated to individual segments as they are managed on a group basis. Current taxes and deferred taxes are not allocated to individual segments as they are also managed on a group basis.

4. EARNINGS PER SHARE

DKK'000	2nd quarter		YTD June	
	2021	2020	2021	2020
Net profit attributable to equity holders of the parent company for basic earnings and the effect of dilution	5,803	4,437	10,973	2,527

Thousands	2nd quarter		YTD June	
	2021	2020	2021	2020
Weighted average number of shares for basic earnings per share	83,086	83,068	83,080	83,068
Effect of dilution:				
Share options	3,425	3,561	3,425	3,561
Weighted average number of shares adjusted for the effect of dilution	86,511	86,629	86,505	86,629

5. INTANGIBLE ASSETS

DKK'000	Development projects, completed	Development projects, in progress	Patents	Other intangible assets	Total
Cost at 1 January 2019	256,197	32,978	10,426	2,139	301,740
Additions in the period	-	13,235	8	-	13,243
Transfers	2,389	(2,389)	-	-	-
Cost at 30 June 2021	258,586	43,824	10,434	2,139	314,983
Accumulated amortisation at 1 January 2019	232,869	25,218	6,729	2,139	266,955
Amortisation for the period	7,513	-	335	-	7,848
Accumulated amortisation and impairment 30 June 2021	240,382	25,218	7,064	2,139	274,803
Carrying amount at 30 June 2021	18,204	18,606	3,370	-	40,180

The annual impairment test for the intangible assets will be performed on 31 December 2021. As per 30 June 2021, the management has assessed, that there were no indications of impairment concerning the Group's intangible assets in the reporting period.

6. ISSUED SHARE CAPITAL AND RESERVES

Authorised shares	2021	2020
	Thousands	Thousands
Ordinary shares of DKK 0.25 each at 1 January	83,068	83,068
Increase in ordinary shares DKK 0.25 each	18	-
Ordinary shares of DKK 0.25 each at 30 June	83,086	83,068

7. COMMITMENTS AND CONTINGENCIES

Collaterals

The Group has issued a floating charge in the amount of DKK 30m secured on receivables, inventories, and equipment as collateral for bank debt

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