



NAPATECH
4TH QUARTER 2024
INTERIM MANAGEMENT STATEMENT

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MANAGEMENT'S REPORT

As I look back on my first full year as the CEO of Napatech, I am pleased with what we accomplished in 2024 and excited about where we are heading in 2025. We made considerable strides in our strategic plan that strengthened our position as an early leader in the emerging market for programmable NICs.

Our priorities for 2024 were focused in three areas. First, it was important to strengthen our core business. Our valuable installed base of customers are early-adopters of Programmable NICs. Throughout the year, we met these customers' needs in product fulfillment, technology development, and professional services. We captured many new design wins in their product upgrades while working with many on new designs based on our new products as well. Most importantly, we were able to work closely with all of them to gain visibility and confidence that their consumption has remained high and that they are nearing completion of their inventory reductions.

Next, we had to accelerate our engineering in software and hardware technologies, that extend our core products into new areas that align with the highest projected growth segments for programmable NICs. We were successful in onboarding the necessary resources to our organization. We did it cost-effectively and according to plan. And they are actively contributing to the projects that support our ongoing efforts for new design wins.


Finally, we continued to develop an ecosystem through partnerships that expand our go-to-market reach via marketing, business development and sales, enabling us to win new designs that would be challenging to achieve on our own. These partnerships include technology leaders in hardware and software. While none are more important than Intel and Altera, they also include an array of software applications and services companies and server and appliance platforms whose products and solutions require programmable NICs.

Our financial results improved in the second half of the year, but our base business for the year was lower than normal primarily because two of our largest customers have been handling an inventory correction to deplete a covid-driven safety stock. We have clear visibility into their consumption rates and expect that they and others will return to normal buying patterns in 2025. As a consequence, some of our operating targets for the year were not met. However, we are pleased that our core customers are returning to long-term historical norms, and our new design win efforts have met expectations, combining to give us confidence in achieving our growth ambitions.

In addition to the stability returning to our core business, I am most excited that we continued to expand our pipeline of opportunities across a wide set of customer types, applications, and geographies. While still in the earliest phases of customer development, this allowed us to end the year with our largest pipeline ever and with a record-breaking number of design wins and associated unit volume when they reach peak annual production.

We finished 2024 just as we began – clear in our vision, focused on our goals, and confident in our plans to achieve them. There are undeniable signs that programmable NICs are changing the way modern data centers are designed. The early adopters have already decided, and many of them have standardized on the Intel-Altera architecture. The mass market is emerging in their wake. We know that it takes time to secure new design wins and move them from ideas to production within our customers. We know how advantageous our starting position is from our own long history, combined with the trajectory boost provided by our partnership with Intel-Altera. As each new segment of the mass market unfolds, Napatech has made the investments in people, products, and partnerships to be in the best position to capitalize on this new demand.

On behalf of Napatech, we thank you for your interest in our business and hope you share our enthusiasm about our future.



Lars Boilesen

Chief Executive Officer

Highlights Q4:

- Revenue in USD amounted to 5.4m in Q4 2024, a decline of 36% compared to Q4 2023. In DKK, revenue amounted to 37.7m, a decline of 35% compared to Q4 2023.
- The gross margin in Q4 2024 was 65%, a decline of 14%-points compared to Q4 2023.
- Staff costs and Other external costs in Q4 2024 amounted to DKK 44.8m compared to DKK 38.5m in Q4 2023.
- EBITDAC in Q4 2024 amounted to negative DKK 20.1m compared to positive DKK 7.1m in Q4 2023.
- EBITDA in Q4 2024 amounted to negative DKK 17.0m compared to positive DKK 8.0m in Q4 2023.
- Depreciation, amortization, and impairment for Q4 2024 were DKK 6.8m compared to DKK 8.2m in Q4 2023.
- Net Cash flow from operating activities in Q4 2024 was negative DKK 32.9m compared to positive DKK 1.9m in Q4 2023.
- Net cash used in investing activities in Q4 2024 amounted to DKK 3.9m compared to DKK 2.5m in Q4 2023.

Highlights Full-year 2024:

- Revenue in 2024 in USD amounted to 16.8m, a decline of 36% compared to 2023. In DKK, revenue amounted to 116.4m, a decline of 36% compared to 2023.
- The gross margin in 2024 was 68%, a decline of 5%-points compared to 2023.
- Staff costs and Other external costs in 2024 amounted to DKK 171.8m compared to DKK 143.3m in 2023.
- EBITDAC in 2024 amounted to negative DKK 92.5m compared to negative DKK 9.7m in 2023.
- EBITDA in 2024 amounted to negative DKK 86.3m compared to negative DKK 0.4m in 2023.
- Depreciation, amortization, and impairment in 2024 were DKK 29.3m compared to DKK 32.5m in 2023.
- Net Cash flow from operating activities in 2024 was negative DKK 102.8m compared to negative DKK 6.8m in 2023.
- Net working capital at the end of 2024 amounted to DKK 98.6m compared to DKK 65.5m at the end of 2023.
- Net cash used in investing activities in 2024 amounted to DKK 11.1m compared to DKK 12.7m in 2023.
- Cash and cash equivalents at the end of 2024 amounted to DKK 64.3m compared to DKK 42.4m at the end of 2023.
- Napatech issued its guidance for 2024 on February 24, 2024. Revenue was guided in the range of DKK 170-180 million; the Gross margin in the range of 69-71%; Staff costs & Other external costs in the range of DKK 145-155 million; and Staff costs transferred to capitalized development costs in the range of DKK 10-15 million. On August 22, 2024, guidance for Staff costs & Other external costs was adjusted to the range of DKK 170-180 million. And on November 5, 2024 guidance for Staff costs transferred to capitalized development costs was updated to the range of DKK 4-7 million. Compared to the issued guidance, reported revenue ended below the guided range. The gross margin ended at 68%. Staff costs & Other external costs and Staff costs transferred to capitalized development costs ended within the updated guided range.

Key figures¹:

	Q4 2024	Q4 2023	FY 2024	FY 2023
Revenue USD m	5.4	8.4	16.8	26.5
Growth YoY USD m	-36%	75%	-36%	17%
Revenue DKK m	37.7	58.1	116.4	182.7
Growth YoY DKK m	-35%	71%	-36%	15%
Gross Margin	65%	79%	68%	73%
EBITDAC DKK m	-20.1	7.1	-92.5	-9.7
EBITDA DKK m	-17.0	8.0	-86.3	-0.4
Net Cash Flow from Operating Activities DKK m	-32.9	1.9	-102.8	-6.8
Net Working Capital, end of period DKK m	98.6	65.5	98.6	65.5
Cash and cash equivalents, end of period DKK m	64.3	42.4	64.3	42.4

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*Full-year 2024*

Napatech reports revenue of DKK 116.4m in 2024 compared to DKK 182.7m in 2023, equivalent to a decline of 36%. In USD, revenue was down 36% compared to 2023.

The gross margin in 2024 was 68% compared to 73% in 2023.

Q4

Napatech reports revenue of DKK 37.7m in Q4 2024 compared to DKK 58.1m in the same period in 2023, equivalent to a decline of 35%.

The gross margin in Q4 2024 was 65% compared to 79% in Q4 2023.

Costs*Full-year 2024*

Staff costs and Other external costs in 2024 amounted to DKK 171.8m, compared to DKK 143.3m in 2023.

Operating expenses after the transfer of staff costs to capitalized development costs in 2024 amounted to DKK 165.6m, compared to DKK 134.0m in 2023.

Q4

Staff costs and Other external costs in Q4 2024 amounted to DKK 44.8m, compared to DKK 38.5m in Q4 2023.

Operating expenses after the transfer of staff costs to capitalized development costs in Q4 2024 amounted to DKK 41.6m, compared to DKK 37.6m in Q4 2023.

EBITDAC and EBITDA*Full-year 2024*

Earnings before Interest, Tax, Depreciation, Amortization, and Capitalization of development cost (EBITDAC) amounted to negative DKK 92.5m in 2024 compared to negative DKK 9.7m in 2023.

EBITDA in 2024 was negative DKK 86.3m compared to negative DKK 0.4m in 2023.

Q4

EBITDAC amounted to negative DKK 20.1m in Q4 2024 compared to positive DKK 7.1m in Q4 2023.

EBITDA in Q4 2024 was negative DKK 17.0m compared to positive DKK 8.0m in Q4 2023.

Depreciation, amortization, and impairment*Full-year 2024*

Depreciation, amortization, and impairment in 2024 were DKK 29.3m compared to DKK 32.5m in 2023.

Q4

Depreciation, amortization, and impairment in Q4 2024 were DKK 6.8m compared to DKK 8.2m in Q4 2023.

Financial Items*Full-year 2024*

Financial items in 2024 amounted to negative DKK 1.5m compared to negative DKK 3.5m in 2023.

Q4

Financial items in Q4 2024 amounted to positive DKK 0.2m compared to negative DKK 2.0m in Q4 2023.

Taxes*Full-year 2022*

Taxes in 2024 amounted to an income of DKK 5.8m compared to an income of DKK 4.4m in 2023.

Q4

Taxes for Q4 2024 amounted to an income of DKK 5.1m compared to an income of DKK 5.5m in Q4 2023.

Investments*Full-year 2024*

The total net cash used in investing activities in 2024 was DKK 11.1m, of which DKK 6.7m was related to new product development. In 2023, the total net cash used in investing activities was DKK 12.7m, of which DKK 10.4m was related to new product development.

Q4

The total net cash used in investing activities in Q4 2024 was DKK 3.9m, of which DKK 3.4m was related to new product development. In Q4 2023, the total net cash used in investing activities was DKK 2.5m, of which DKK 0.9m was related to new product development.

Cash Flow*Full-year 2024*

Net cash flow from operating activities in 2024 was negative DKK 102.8m compared to negative DKK 6.8m in 2023.

Free cash flow in 2024 amounted to negative DKK 114.0m compared to negative DKK 19.5m in 2023.

Net cash from financing activities in 2024 was positive DKK 136.7m due to the capital raise completed in May 2024 compared to positive DKK 50.5m in 2023.

Cash and cash equivalents at the end of 2024 were DKK 64.3m compared to DKK 42.4m at the end of 2023.

Q4

Net cash flow from operating activities in Q4 2024 was negative DKK 32.9m compared to positive DKK 1.9m in Q4 2023.

Free cash flow in Q4 2024 amounted to negative DKK 36.9m compared to negative DKK 0.6m in Q4 2023.

Net cash from financing activities in Q4 2024 was negative DKK 1.0m, compared to negative DKK 0.6m in Q4 2023.

Events after the end of the period

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

Outlook for 2025

Napatech's financial expectations for 2025 are as follows:

	Guidance
Revenue	DKK 150 - 190m
Gross margin	69 - 71%
Staff expenses & Other external costs	DKK 170 - 180m
Staff costs transferred to capitalized development costs	DKK 8 - 12m

With performance in the middle of the guided ranges, EBITDA would be negative DKK 46m.

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's 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.

INCOME STATEMENT

For the period ended December 31, 2024

DKK'000	4rd quarter		Full-Year	
	2024	2023	2024	2023
Revenue	37,678	58,081	116,408	182,674
Cost of goods sold	(13,069)	(12,483)	(37,049)	(49,126)
Gross profit	24,609	45,598	79,359	133,548
Staff costs	(27,521)	(22,404)	(111,226)	(96,924)
Other external costs	(17,230)	(16,066)	(60,618)	(46,361)
EBITDAC	(20,142)	7,128	(92,485)	(9,737)
Transferred to capitalized development costs	3,153	872	6,232	9,299
EBITDA	(16,989)	8,000	(86,253)	(438)
Depreciation, amortization and impairment	(6,762)	(8,172)	(29,326)	(32,461)
Operating result (EBIT)	(23,751)	(172)	(115,579)	(32,899)
Finance income	1,184	(49)	2,315	358
Finance costs	(959)	(1,977)	(3,823)	(3,904)
Result before tax	(23,526)	(2,198)	(117,087)	(36,445)
Income tax	5,075	5,510	5,830	4,429
Result for the period	(18,451)	3,312	(111,257)	(32,016)

CASH FLOW STATEMENT

For the period ended December 31, 2024

DKK'000	4rd quarter		Full-Year	
	2024	2023	2024	2023
Operating activities				
Income/Loss before tax	(23,526)	(2,198)	(117,087)	(36,445)
Adjustments to reconcile profit before tax to net cash flows				
Finance income	(1,184)	49	(2,315)	(358)
Finance costs	959	1,977	3,823	3,904
Depreciation, amortisation and impairment	6,762	8,172	29,326	32,461
Share-based payment expense	3,028	688	10,899	2,536
Working capital adjustments				
Change in inventories	(1,742)	1,051	(34,304)	3,282
Change in trade and other receivables and prepayments	(6,552)	(9,815)	9,829	13,181
Change in trade and other payables and contract liabilities	(15,764)	(2,383)	(6,866)	(26,867)
Interest received	486	350	1,617	358
Interest paid	(859)	(1,134)	(3,135)	(2,881)
Income tax received, net	5,452	5,126	5,372	4,044
Net cash flows from operating activities	(32,940)	1,883	(102,841)	(6,785)
Investing activities				
Purchase of tangible assets	(562)	(1,646)	(4,432)	(2,170)
Investments in intangible assets	(3,365)	(871)	(6,665)	(10,376)
Investments in leasehold deposits	-	-	(46)	(144)
Net cash used in investing activities	(3,927)	(2,517)	(11,143)	(12,690)
Free cash flow	(36,867)	(634)	(113,984)	(19,475)
Financing activities				
Capital increase	253	-	145,572	53,740
Proceeds from exercise of share options	-	75	-	75
Payments regarding share options	(246)	-	(246)	-
Transaction costs on issue of shares	1	-	(5,382)	(365)
Increase (decrease) through treasury share transactions	-	-	1,491	-
Payment of financial lease liabilities	(575)	(873)	(3,561)	(3,385)
Proceeds from borrowings	-	442	-	442
Repayment of borrowings	(438)	(225)	(1,175)	-
Net cash flows from financing activities	(1,005)	(581)	136,699	50,507
Net change in cash and cash equivalents	(37,872)	(1,215)	22,715	31,032
Net foreign exchange difference	(649)	(665)	(741)	(627)
Cash and cash equivalents at the beginning of the period	102,862	44,247	42,367	11,962
Cash and cash equivalents at the end of the period	64,341	42,367	64,341	42,367

BALANCE SHEET**ASSETS**

	31 Dec.	31 Dec.
DKK'000	2024	2023
Development projects, completed	19,764	36,601
Development projects, in progress	4,269	2,226
Patents	1,042	1,715
Intangible assets	25,075	40,542
Plant and equipment	4,765	4,390
Right-of-use assets	9,200	7,881
Leasehold improvements	441	316
Tangible assets	14,406	12,587
Leasehold deposits	1,587	1,541
Other non-current assets	1,587	1,541
Non-current assets	41,068	54,670
Inventories	69,876	35,572
Trade receivables	19,381	37,586
Prepayments	5,153	2,335
Other receivables	23,762	15,880
Income tax receivable	6,345	5,885
Cash and cash equivalents	64,341	42,367
Current assets	188,858	139,625
Total assets	229,926	194,295

EQUITY AND LIABILITIES

	31 Dec.	31 Dec.
DKK'000	2024	2023
Share capital	24,999	22,544
Share premium	483,062	343,064
Treasury shares	(619)	(2,110)
Foreign currency translation reserve	553	(271)
Share-based payment reserve	18,946	10,707
Retained earnings	(373,518)	(262,224)
Equity	153,423	111,710
Interest-bearing loans and borrowings	6,806	8,601
Other non-current financial liabilities	4,540	4,433
Non-current lease liabilities	6,406	4,854
Non-current contract liabilities	1,550	3,048
Non-current liabilities	19,302	20,936
Interest-bearing loans and borrowings	36,098	35,504
Current lease liabilities	3,124	3,282
Trade payables	5,789	5,727
Other payables	8,953	12,495
Contract liabilities	3,237	4,641
Current liabilities	57,201	61,649
Total liabilities	76,503	82,585
Total equity and liabilities	229,926	194,295

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