



# Q4 & FY 2019 Interim Management Statement Presentation

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27 February 2020





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

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# Q4 & FY 2019 Management Statement Topics

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- Q4 & FY 2019 Business Highlights
- FY 2019 Review
- Q3 & FY 2019 Financial Results
- 2020 Outlook
- Q&A



# Q4 & FY 2019 Business Highlights

# Executive Summary 2019

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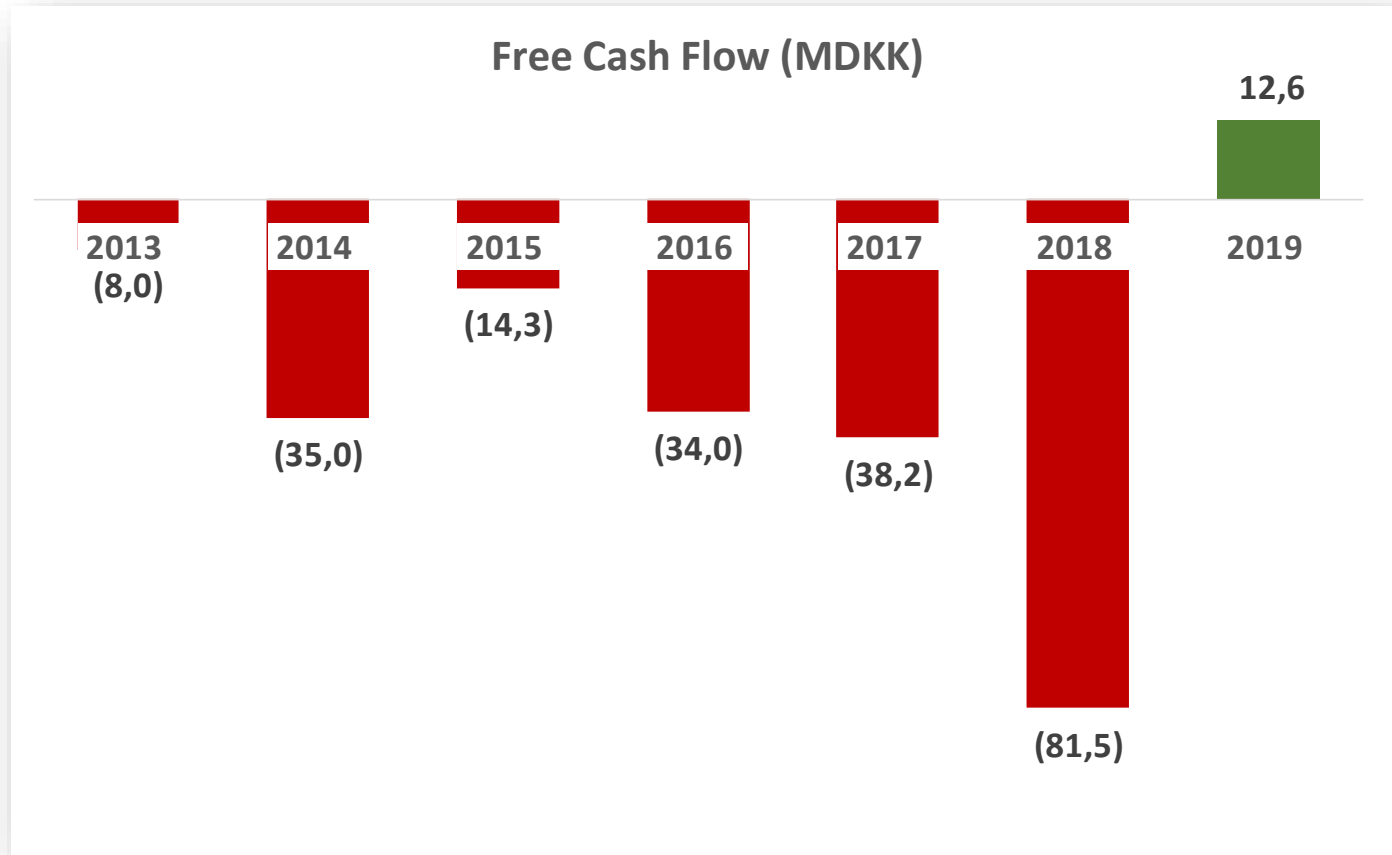
- Beating expectations
- Solid Turn-around Year with Record Breaking Results
  - Solid Revenues and Growth
  - Strong Margins
  - Positive EBITDAC
  - Positive free cash flow *for FY 2019*
- Foundation of revenues built on both existing and new customers
- Core product line enhancements delivered
- Continued good momentum entering 2020

# Financial Highlights – Continued Operations

	Q4 2019	Q4 2018*	FY 2019	FY 2018*
<b>Revenue M DKK</b>	54.0	39.7	170.6	106.0
<b>Growth YoY</b>	36%	-15%	62%	-48%

- For YoY reported revenue comparison purposes, results for 2018 are adjusted for revenues associated with divested product line in 2018.

# Positive Free Cash Flow



## FY19:

- FY19 Free Cash Flow of 12.6 MDKK
- EOY Cash and Cash Equivalents were 64.3 MDKK



# Actuals Compared to Guidance

Guidance in MDKK	Original	Latest	ACTUALS
Revenue	150-180	150-180	170.6
Gross margin	around 68%	71-73%	74.5%
Operating expenses*	115-125	110-115	111.9
Investments in development projects	20-25	13-17	13.9
Depreciation and amortization	20-25	20-25	25.4

With performance in the middle of the guided ranges	Original	Latest	ACTUALS
EBITDAC	-30.3	-8.7	+1.4
EBITDA	-7.8	+6.3	+15.3
EBIT	-30.3	-16.2	-10.1

\* Operating expenses include costs on R&D, sales and distribution, as well as administrative expenses

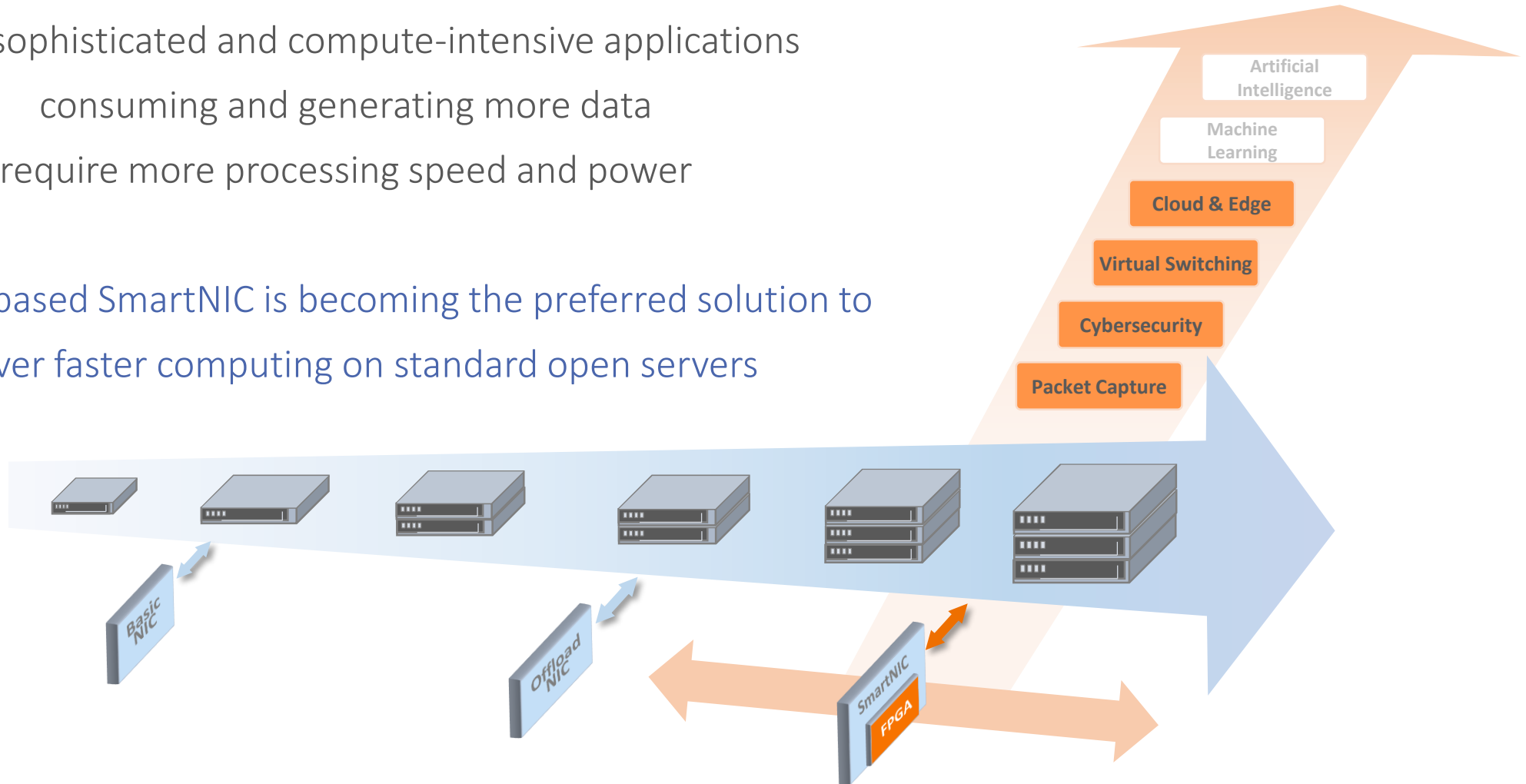
## Compared to guidance

- Revenue in the upper half of the guided range
- GM above the guided range
- Operating expenses in the lower half of the guided range
- Investments in development projects in the lower half of the the guided range
- Depreciation and amortization slightly above the guided range
- EBITDAC 31.7 MDKK above middle of original guidance and 10.1 MDKK above middle of latest guidance.
- EBIT 20.2 MDKK above middle of original guidance and 6.1 MDKK above middle of latest guidance.

# Napatech Sits at the Crossroads of Two Major Market Forces

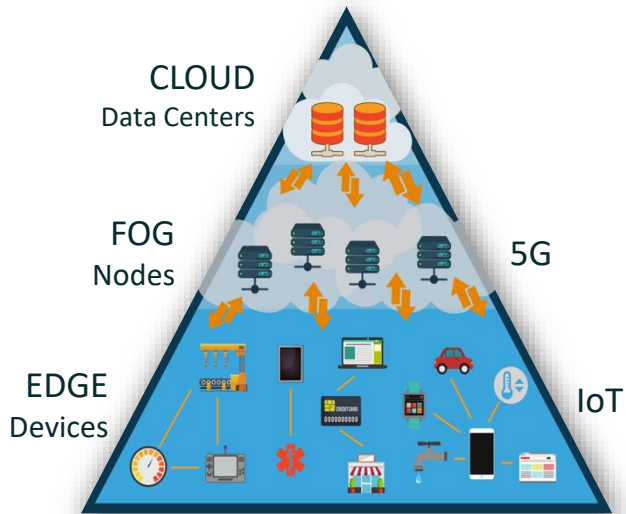
More sophisticated and compute-intensive applications  
consuming and generating more data  
require more processing speed and power

The FPGA-based SmartNIC is becoming the preferred solution to  
deliver faster computing on standard open servers



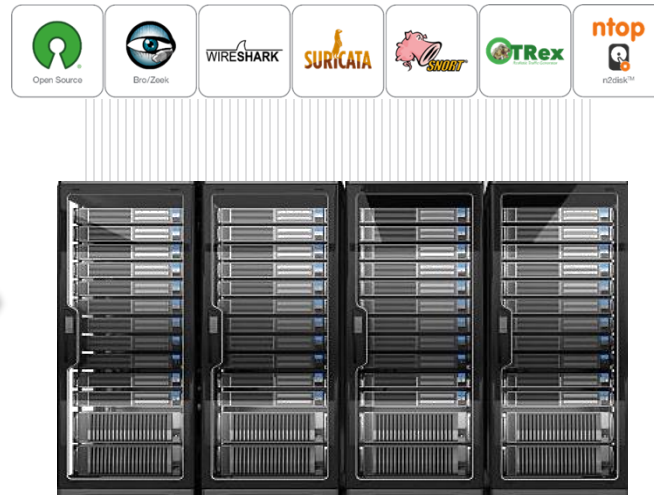
# NIC Market is Driven By Server Expansion

## Megatrends Impact All Networks



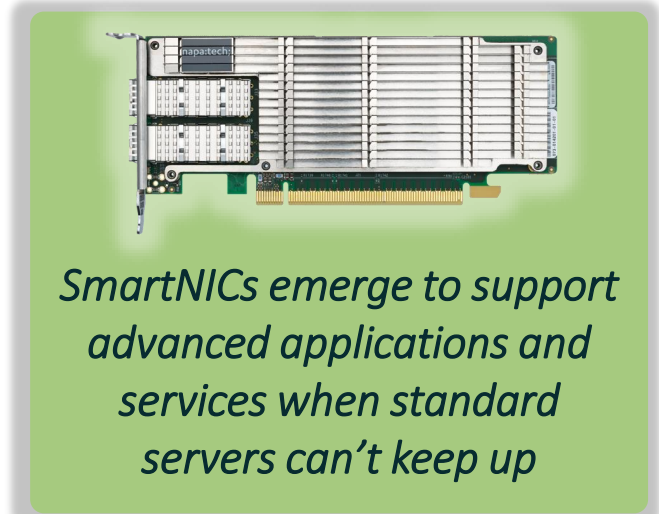
*Megatrends Change the Way Networks are Built*

## Server Market Expansion Continues



*Networks Built at Massive Scale*  
Hardware: Low-Cost Servers & Appliances  
Software: Applications & Services

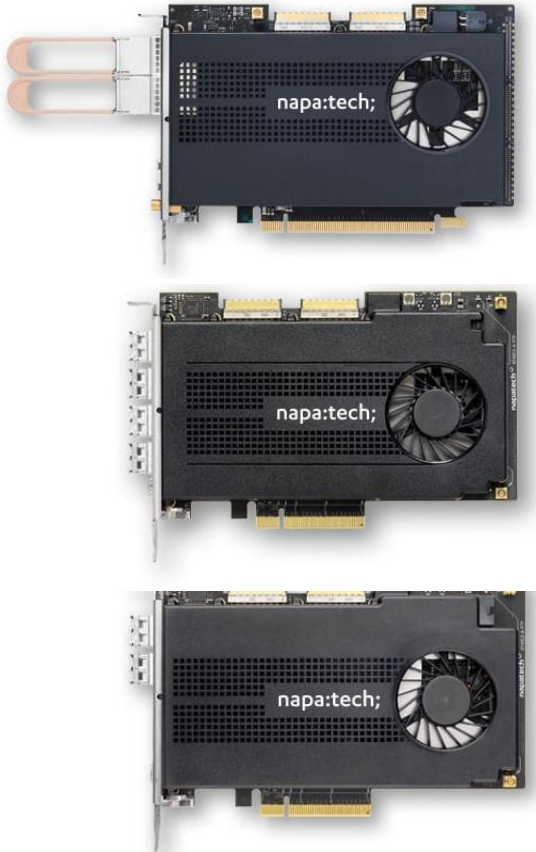
## NIC Market Grows to Solve Server Connectivity



*NICs: 2019 1.7B, 19% CAGR thru 2023*  
*Programmable NICs: ~50% or 2023 Market*

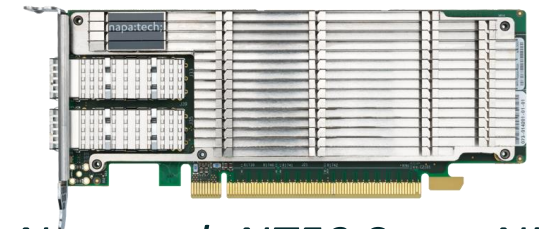
# Innovative New And Improved SmartNIC Design

## CURRENT INDUSTRY-LEADING SmartNIC Designs



- *Newest FPGA technology*
- *Highest performance processing*
- *Full software suite available*
- *Greener design (power, space, cooling)*
- *Cost efficient*
- *Mass-market volume potential*

## NEXT GENERATION New SmartNIC Design

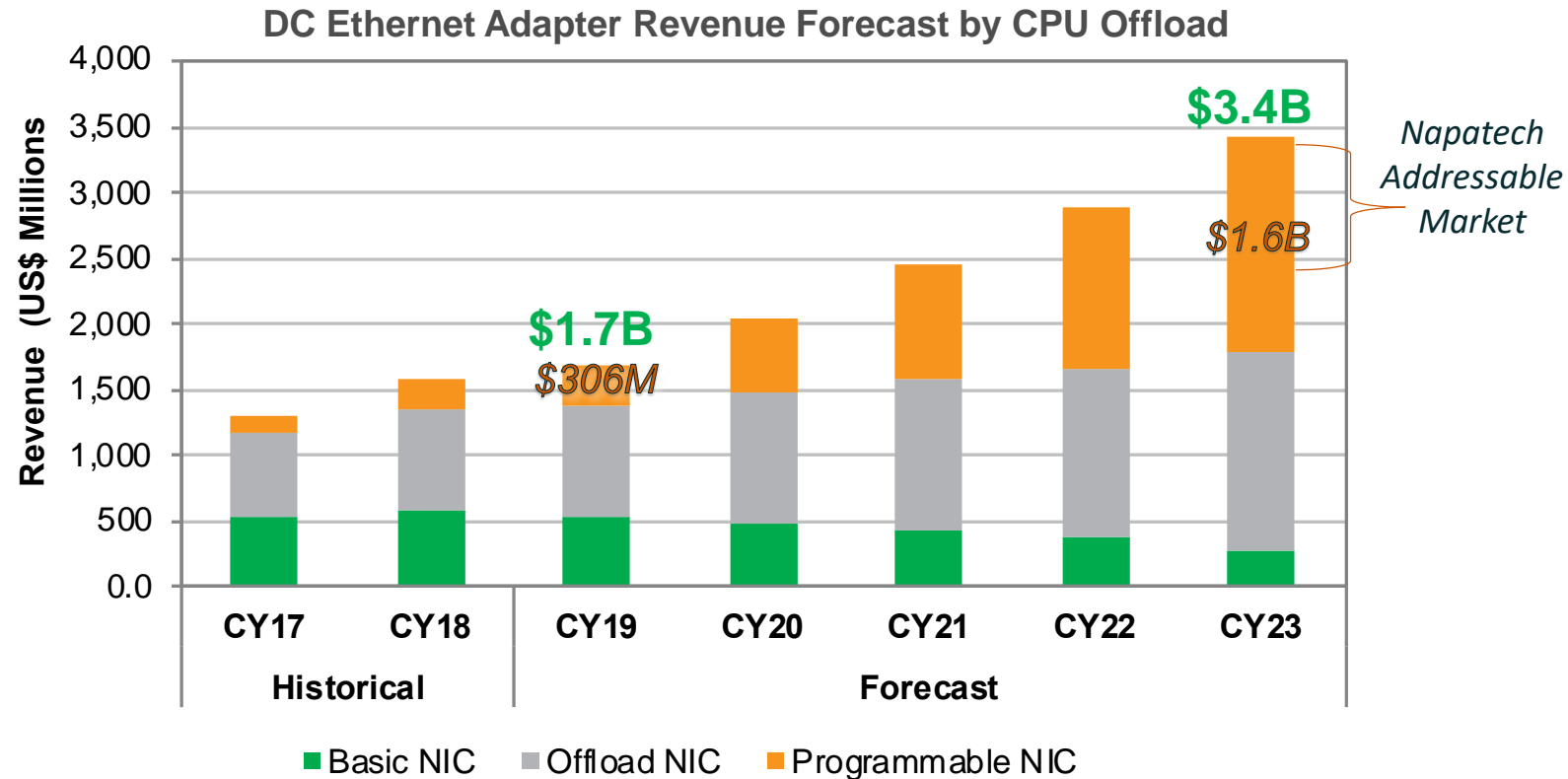


*Napatech NT50 SmartNIC*



# The SmartNIC Market is Expanding

- *Overall NIC market* is \$1.7B today, growing to \$3.4B by 2023.
- *Programmable NIC market* is \$306M in CY19, growing to \$1.6B by 2023.
- *Napatech's rapidly emerging addressable SmartNIC market* is estimated to expand along with the overall Programmable NIC market by 2023.



Source: IHS Markit | Ethernet Network Adapter Equipment Market Tracker; December 2019

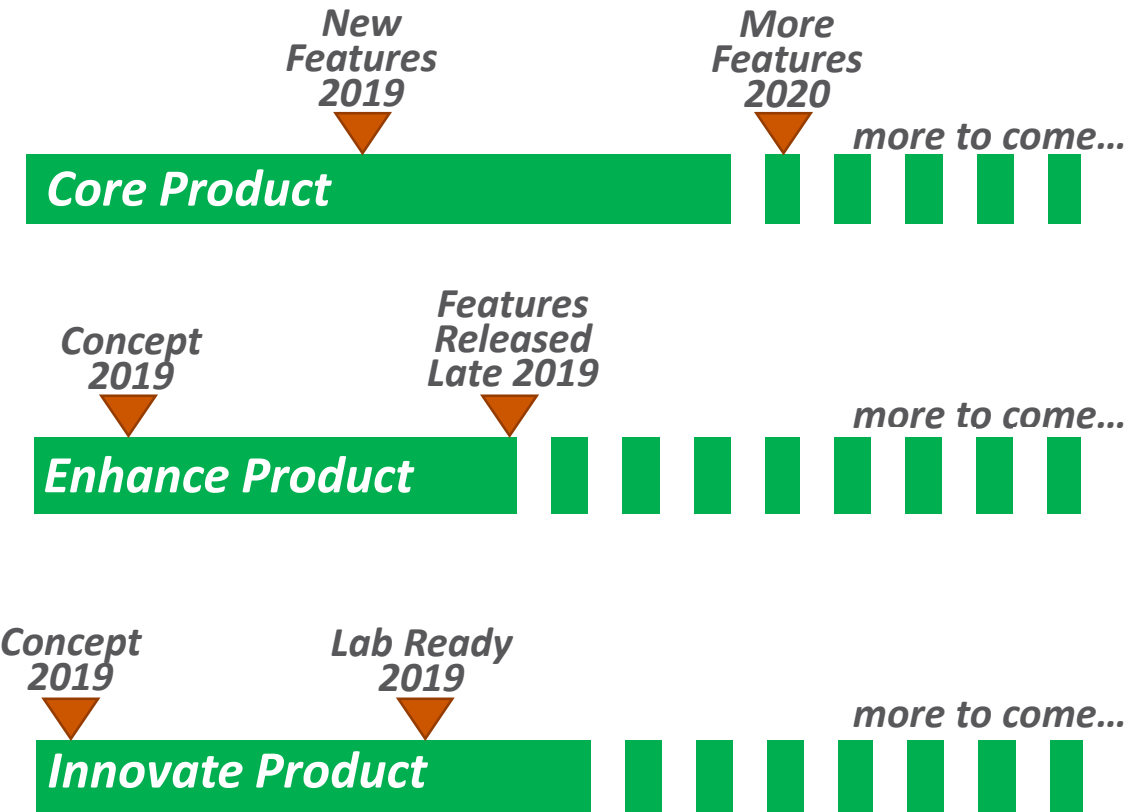
# Q4 Wins: Top Brands Deploy Napatech Across Many Applications



# Our Plan Of Attack – Progress

Leverage our expertise in **FPGA software** to out-innovate the competition and build new higher growth product lines in Application Acceleration for Virtualization, Cybersecurity and 5G Mobile solutions

1. Continue to drive FPGA-based SmartNIC leadership in current Packet Capture solutions
2. Expand our SmartNIC leadership *beyond Packet Capture* by supercharging our technology to address new higher-growth applications in markets such as Cybersecurity
3. Drive innovative developments in Virtual Switching Acceleration solutions to emerge in new user markets in Edge and Cloud Computing such as 5G Mobile to fuel new revenues in 2020 and beyond.





# FY 2019 Financials



# Consolidated Income Statement Q4 & FY 2019

DKK'000	Q4		FY		Q4	FY
	2019	2018	2019	2018	Δ	Δ
<b>Revenue</b>	<b>54,013</b>	<b>53,997</b>	<b>170,607</b>	<b>106,153</b>	<b>0%</b>	<b>61%</b>
Cost of goods sold	(13,807)	(31,793)	(43,421)	(57,060)		
<b>Gross profit</b>	<b>40,206</b>	<b>22,204</b>	<b>127,186</b>	<b>49,093</b>	<b>81%</b>	<b>159%</b>
Other operating income	17	493	19	599		
Staff expenses and remuneration	(27,050)	(26,431)	(98,991)	(112,561)	<b>2%</b>	<b>-12%</b>
Other external costs	(7,361)	(12,261)	(26,797)	(45,957)	<b>-40%</b>	<b>-42%</b>
<b>EBITDAC</b>	<b>5,812</b>	<b>(15,995)</b>	<b>1,417</b>	<b>(108,826)</b>		
Transferred to capitalized development costs	4,375	6,039	13,856	33,854	<b>-28%</b>	<b>-59%</b>
<b>EBITDA</b>	<b>10,187</b>	<b>(9,956)</b>	<b>15,273</b>	<b>(74,972)</b>		
Depreciation, amortization and impairment	(6,625)	(52,023)	(25,355)	(107,558)	<b>-87%</b>	<b>-76%</b>
<b>Operating result (EBIT)</b>	<b>3,562</b>	<b>(61,979)</b>	<b>(10,082)</b>	<b>(182,530)</b>		
Finance income	403	-	443	-		
Finance costs	(4,402)	(2,857)	(4,613)	(9,576)		
<b>Result before tax</b>	<b>(437)</b>	<b>(64,836)</b>	<b>(14,252)</b>	<b>(192,106)</b>		
Income tax	2,626	19,025	651	12,808		
<b>Result for the period</b>	<b>2,189</b>	<b>(45,811)</b>	<b>(13,601)</b>	<b>(179,298)</b>		

DKK'000	Q4		FY	
	2019	2018	2019	2018
Research and development expenses	(5,737)	(6,603)	(23,708)	(18,460)
Selling and distribution expenses	(10,998)	(15,257)	(47,466)	(66,735)
Administrative expenses	(13,301)	(10,793)	(40,758)	(39,469)
<b>OPEX</b>	<b>(30,036)</b>	<b>(32,653)</b>	<b>(111,932)</b>	<b>(124,664)</b>

Implementation of IFRS16 impacts "Other external cost" by 5.8 MDKK in 2019. 2018 figures are not adjusted.

## Key Highlights

- Revenue in Q4 on par & up 61% FY compared to 2018
- Revenue on continued operations up 36% in Q4 & 97% FY compared to 2018
- GM in 2019 74.5% up 28.3%-points on reported numbers
- Staff costs full-year down 12%
- Other external costs full-year down 29% when adjusted for IFRS16
- Q4 EBITDAC positive 5.8M.
- FY EBITDAC positive 1.4M up 110.2 MDKK compared to 2018

# Consolidated Cash Flow Statement Q4 & FY 2019

DKK'000	4th quarter		YTD December	
	2019	2018	2019	2018
<b>Earnings before tax (EBT)</b>	<b>(437)</b>	<b>(64,836)</b>	<b>(14,252)</b>	<b>(192,106)</b>
Adjustments to reconcile profit before tax to net cash flows	11,117	75,944	31,142	138,959
Working capital adjustments	(656)	6,911	7,064	8,871
Cash flows from hedges in financial items	-	(7,454)	-	(7,454)
Interest, net paid and received	(82)	(371)	(697)	(1,552)
Income tax received, net	5,165	5,470	3,191	5,383
<b>Net cash flows from operating activities</b>	<b>15,107</b>	<b>15,664</b>	<b>26,448</b>	<b>(47,899)</b>
<b>Net cash used in investing activities</b>	<b>(3,374)</b>	<b>(4,176)</b>	<b>(13,857)</b>	<b>(33,643)</b>
<b>Free cash flow</b>	<b>11,733</b>	<b>11,488</b>	<b>12,591</b>	<b>(81,542)</b>
<b>Net cash flows from financing activities</b>	<b>(11)</b>	<b>2,944</b>	<b>34,514</b>	<b>58,841</b>
<b>Net change in cash and cash equivalents</b>	<b>11,722</b>	<b>14,432</b>	<b>47,105</b>	<b>(22,701)</b>
Net foreign exchange difference	(476)	2,107	42	(107)
Cash and cash equivalents at the beginning of the period	53,060	620	17,159	39,967
<b>Cash and cash equivalents at the end of the period</b>	<b>64,306</b>	<b>17,159</b>	<b>64,306</b>	<b>17,159</b>

	31 Dec.	
	2019	2018
<b>Net working capital</b>	<b>17,427</b>	<b>28,241</b>
<b>- NWC as % of revenue in quarter</b>	<b>32%</b>	<b>52%</b>

## Key Highlights

- Net Cash flow from operating activities in Q4 +15.1 MDKK
- FY Net Cash flows from operating activities up 74.3 MDKK to +26.4 MDKK
- Net working capital end of Q4 17.4 MDKK ~ 32% of revenue in quarter
- Free cash flow +11.7 MDKK in Q4
- Free cash flow +12.6 MDKK FY 2019 - up 94.1 MDKK compared to 2018
- Cash and cash equivalents of 64.3 MDKK end of 2019 compared to 17.2 MDKK end of 2018

# 2020 Outlook

# Guidance

Annual guidance for 2020 guidance is as follows:

Guidance	
Revenue	185-205 MDKK
Gross margin	68-72%
Staff expenses & Other external costs	125-135 MDKK
Transferred to capitalized development costs	15-20 MDKK
Depreciation and amortization	20-25 MDKK

## Note:

- With performance in the middle of the guided ranges:
- **EBITDAC** would be 6.5 MDKK
- **EBIT** would be 1.5 MDKK



# Why Invest In Napatech?



**STABLE  
&  
GROWING**



**GROWTH IN  
REVENUE,  
CASH FLOW  
&  
LEVERAGABLE**



**EXECUTING  
ON OUR  
STRATEGY**



**DELIVERING  
PRODUCT  
INNOVATION**



**WINNING  
TOP  
CUSTOMER  
BRANDS**



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