

The background features a dark blue gradient with faint, light blue grid lines. Overlaid on this are two data series: a white line graph with circular markers and a yellow-green line graph with circular markers. In the upper right, there is a bar chart with vertical bars of varying heights in shades of green and yellow. A large, semi-transparent white rectangle is positioned in the lower right, containing the main text.

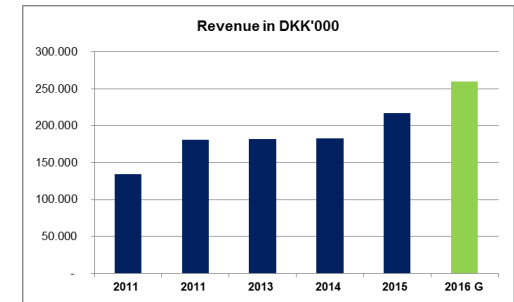
# NAPATECH PRESENTATION

ABGSC SMALL & MID CAP SEMINAR

April 14th, 2016 – Niels Hobolt, CFO

# NAPATECH IN SHORT

- Napatech deliver Smarter Data Delivery Solutions - driven by the huge growth in data usage in all networks (Telecom, Corporate etc.)
- +100 Employees in Denmark, US, Japan, Korea and Taiwan
- Around 70% of Revenue coming from the US
- +100 customers including many top-tier customers
- Outsourced production in US and Switzerland
- 70 Mill DKK in Net-cash by end of December 2015
- Guidance for 2016 is around 20% revenue growth and around 20% EBITDA margin
- Market Cap by 1<sup>st</sup> of April was 500 Mill NOK



# OUR CURRENT BUSINESS

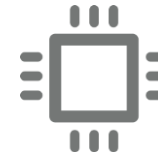
## SMARTER DATA DELIVERY

- Accelerator products – are components for integration into Standard Servers – used for advanced Network Functions
- Pandion product – finished product used for recording of Network Data
- Main markets for our products are Telecom, Network Security, Finance and Infrastructure and Defense



# SMARTER DATA. DELIVERED. OUR STRATEGY

- Our ambition is to be the #1 vendor for Smarter Data Delivery Solutions, providing a 100 MUSD top-line by 2020
- Major trends within Mobile, Security, 100G penetration & Virtualization, drive demand for smarter data management and security solutions
- The goal for the strategic review done during 2H 2015 has been to establish the long term strategic position, define growth platforms and a road map of strategic initiatives for the coming years
- We will secure growth by executing in 4 clearly defined areas
  - Accelerator solutions
  - Network recorder solutions
  - Virtualization solutions
  - Continuous innovation



**MARKET LEADER IN  
NETWORK ACCELERATOR  
SOLUTIONS**



**MARKET LEADER FOR  
DEDICATED NETWORK  
RECORDER SOLUTIONS**



**FRONT-RUNNER  
IN ACCELERATING  
VIRTUALIZED NETWORKS**



**THOUGHT LEADER  
DRIVING EXCEPTIONAL  
NEW INNOVATION**

# MARKET INSIGHTS FROM CLOSE COLLABORATION WITH TIER 1 CUSTOMERS PROVE SIGNIFICANT POTENTIAL

**+450  
MUSD**

## **ACCELERATORS – FULL POTENTIAL YET TO BE EXPLOITED**

Scaling ongoing projects with Tier 1 Network Management, Telecom and Data Center Providers to the entire market offers a potential of more than USD 450 million by 2020\*

"We anticipate the market for network visibility tools – and the closely adjacent market for advanced traffic analysis tools that incorporate multiple sources of data alongside packet captures and flow data – to continue to grow rapidly as enterprises seek to manage new virtual networking."

The 451 Group, May 2015

**+600  
MUSD**

## **NETWORK RECORDERS – HUGE MARKET POTENTIAL**

A combined focus on cross selling to existing OEM customers and developing new customer engagements within Finance, Defense and Data Center Providers will open a network recorder market potential of more than 600 MUSD\*\*

"Advanced Threat Detection is estimated to be a \$2bn market which is just emerging... Network Traffic Analysis provides opportunity for Napatech accelerators and Network Forensics provides opportunity for Pandion."

CTO, Cybersecurity Vendor

**+6000  
MUSD**

## **NETWORK FUNCTION VIRTUALIZATION – NEW OPPORTUNITIES**

NFVI market is estimated to 300 MUSD in 2015 and are expected to grow to +6,000 MUSD by 2020\*\*\*

"By the end of 2014, we moved 40% of our total strategic IT apps to the cloud and we continue to migrate an app a day...our goal is to virtualize and control over 75 percent of our network using this new architecture by 2020."

Senior VP, Telecom Operator

**Sources:** \* Based on Gartner market data and Napatech assessment, \*\* Based on Gartner market data, US Department of Defense Cyberstrategy and Napatech insight, \*\*\*Aggregation of several sources: Orbis Research February 2015, "NFV Market Business Case", "Market Analysis and Forecasts 2015 – 2020", Infonetics November 2014, "Carrier SDN and NFV Hardware and Software", SDxCentral May 2015, "SDxCentral SDN and NFV Market Size Report"

# NAPATECH VIRTUALIZATION SOLUTION FOR HIGH-PERFORMANCE NFV INFRASTRUCTURE

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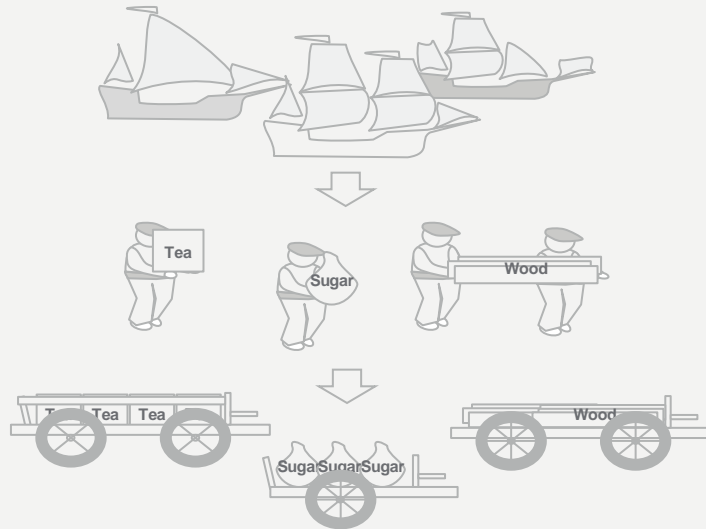
- Our new NFV NIC is a Network Interface Card designed specifically for Network Functions Virtualization
- Focused on enabling high-performance virtual networks by
  - Accelerating time-to-market for new functions
  - Flexibly supporting multiple services
  - Continuously enhancing capabilities
  - Optimizing the total cost of ownership
- Our new NFV NIC solution was showcased at Mobile World Congress 2016



Multi-speed: 10G, 25G, 40G, 50G and 100G

# UNDERSTANDING NETWORK VIRTUALIZATION A COMPARISON WITH SHIPPING

In the past cargo delivered in different packaging



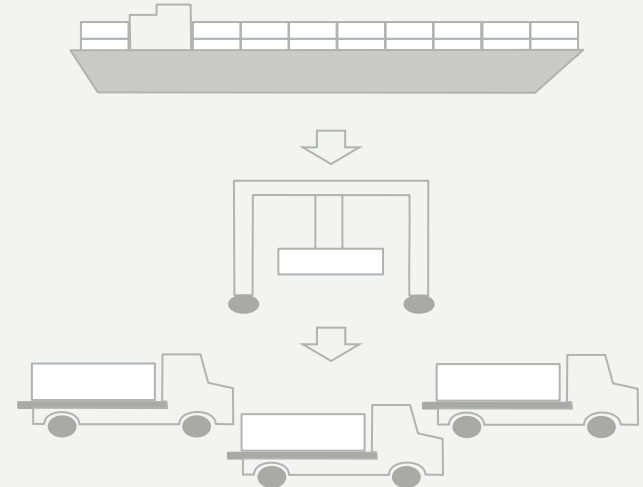
Proprietary

Manual

Slow

Costly

Invention of container standardized cargo delivery



Standard

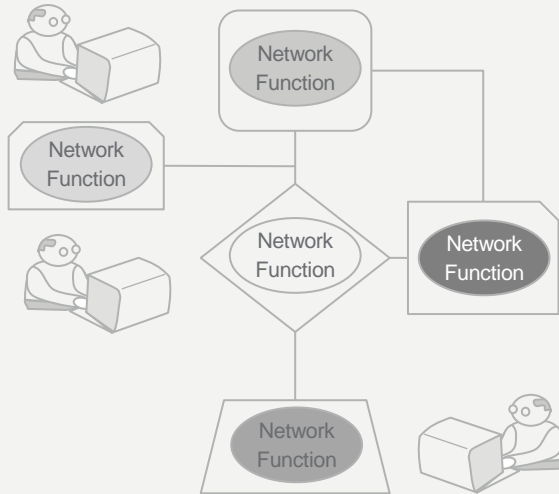
Automated

Fast

Cost effective

# UNDERSTANDING NETWORK VIRTUALIZATION IN TELECOMMUNICATIONS

Today, network data delivered using proprietary systems



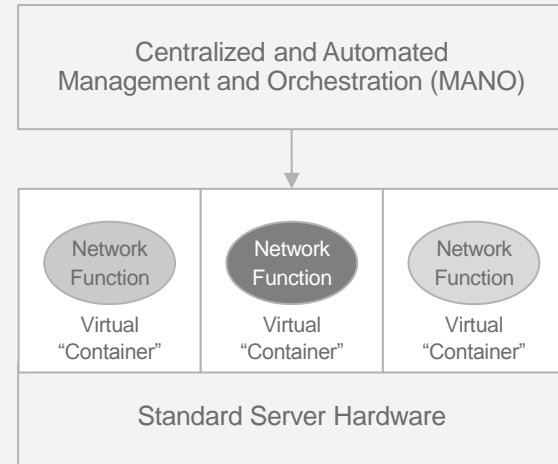
Proprietary

Manual

Slow

Costly

Virtualization provides a standardized “container”



Standard

Automated

Fast

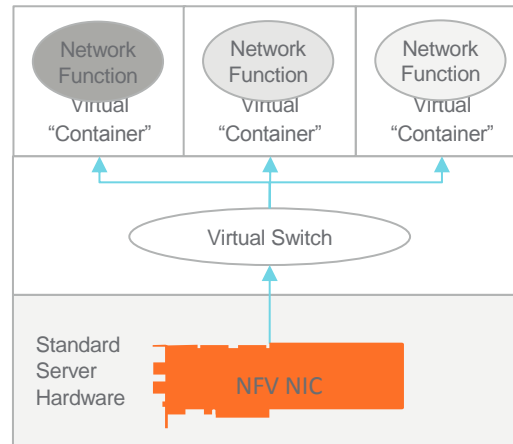
Cost effective



# NAPATECH VIRTUALIZATION SOLUTION DELIVERING ON THE NFV PROMISE

- **New Network Interface Card designed for NFV**
- **Provides full performance and ability to move virtual network functions**
- **8 MUSD savings in a 10,000 server data center.**

**7X**  
Better Data  
Delivery



**Enables Virtual Switch  
to run at full capacity**

**8X**  
More Software  
per Server

# 2016 KEY FINANCIAL FOCUS AND TREND

## SCALE AND GROW

Our focus areas	The Trend	Target Comment	2016 Target
Revenue		Deliver to guidance	~ 20% growth
Gross Margin		Influenced by new product line(s) and go to market strategy	~ 70%
Overall Costs		Improved overall profitability by scalability	5% increase
EBITDA Margin		Deliver to guidance	~ 20%
R&D Investments		Product development to support the strategy	> 40 MDKK
Net Cash Position		Continued investment in future growth	+/- 10 MDKK

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