



4Q 2021 Interim Management Statement

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Q&A Session at the end of the presentation

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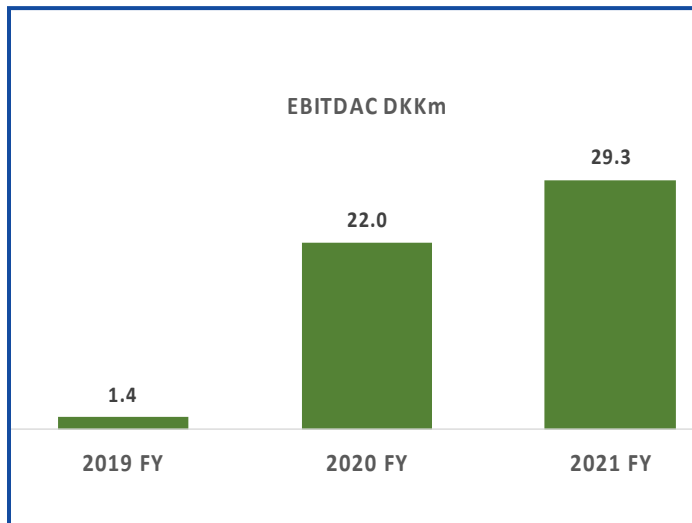
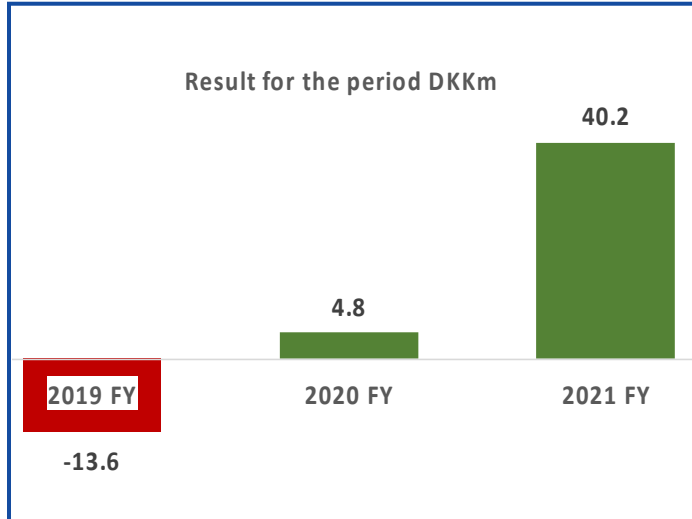
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4Q & FY 2021 IMS Report Topics

- Q4 & FY 2021 Financial Results Summary
- Napatech Building Growth in a Compelling Environment
- Q4 & FY 2021 Financial Results
- 2022 Outlook
- Q&A



Q4 & FY 2021 Financial Results Summary



Highly-Leverageable Business Model

Improved Earnings **40.2 DKK m**

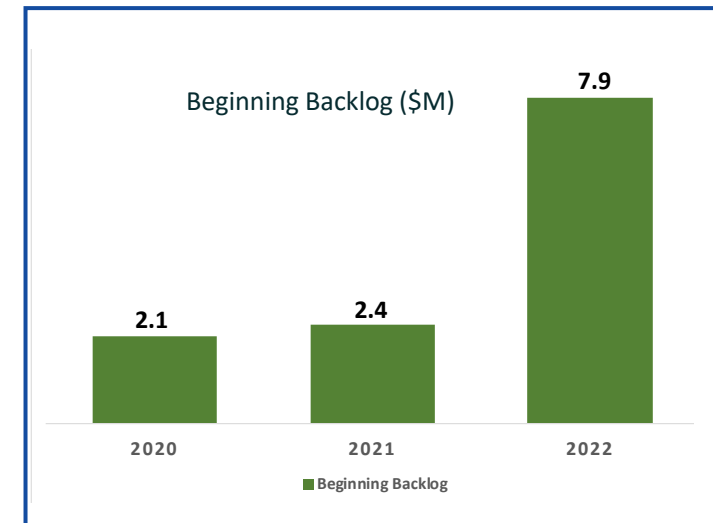
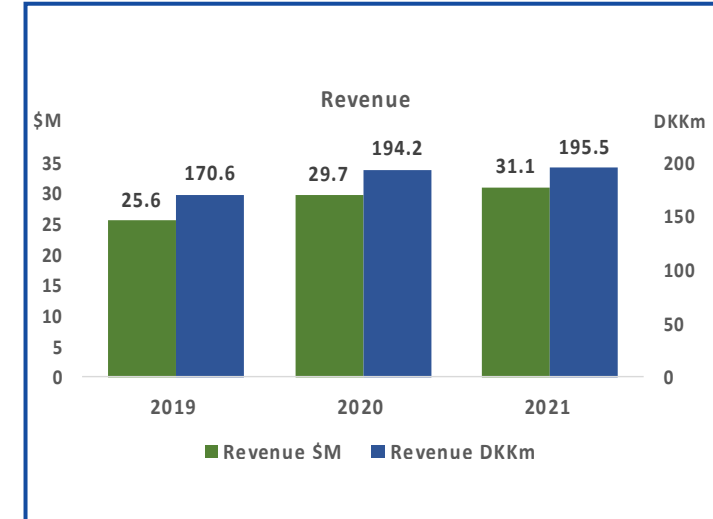
Solid EBITDAC **29.3 DKK m**

Increased Gross Margins of **71.8%**

Slower than Expected Revenue Growth **+5%**

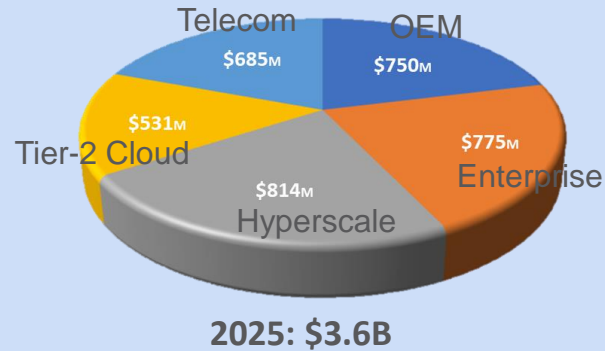
Strong Backlog **\$7.9M**

Momentum into 2022

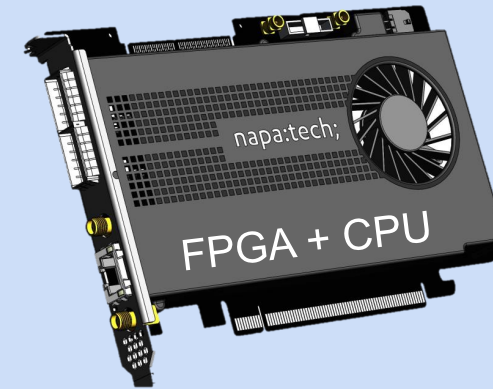


The Opportunities for Napatech Have Never Been More Compelling

Faster Growing SmartNIC Market



Increasing Investments in Evolving SmartNIC Technology Curve



Network Infrastructure



Cybersecurity



Cloud & Edge

Growing Access to New Design Win Opportunities



Mobile Infrastructure

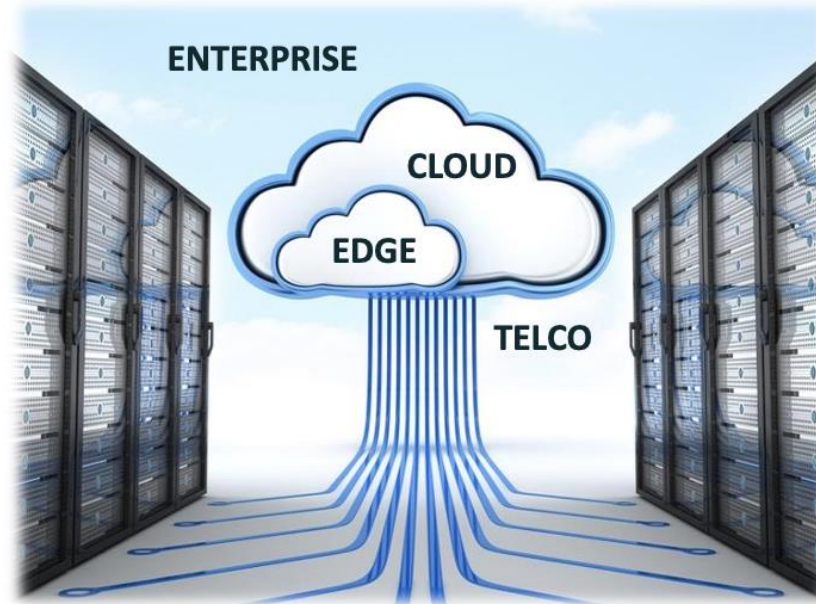


Financial Trading



Significant Progress with Tier-1 Strategic Partnerships

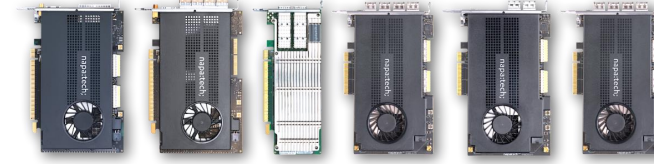
Key Strategic Developments in 2022



Creating valuable partnerships to expand our market reach focused on an increasing set of customers, markets & geos

- Signed 3 partnership deals in 2021 in excess of \$1M
- Signed new 7-figure USD deal in Q4 with one of these partners
- Developing another multi-million-dollar program in 1H-2022
- Increasing R&D investments to fulfill the commitments

Napatech Value to Our Strategic Partnerships



Why Do Partners Invest in Napatech Solutions?

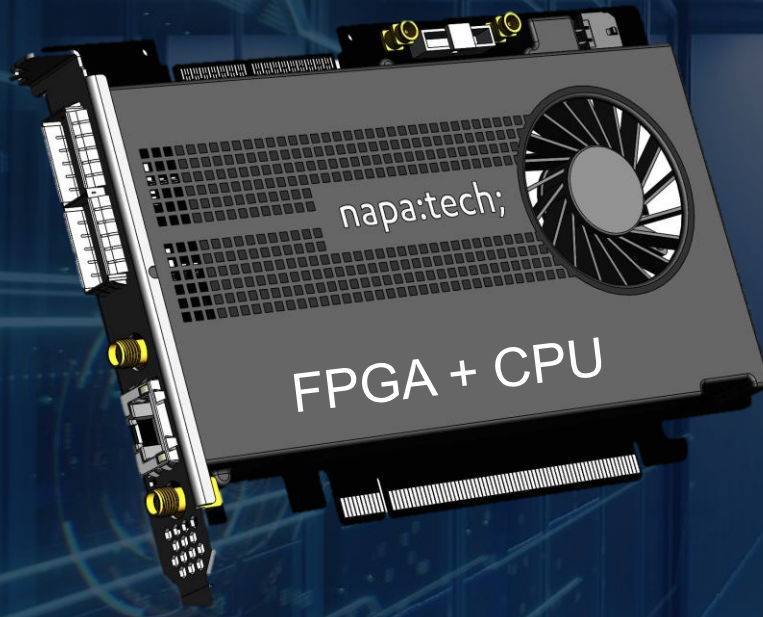
- Our SmartNIC software and hardware designs align with their FPGA customer requirements
- Our SmartNIC software brings an expanding set of product-grade, high-performance features that match the needs of their target customers in Telco, Cloud, Enterprise and Edge
- Our features, functions and performance are unmatched by any other competing solution

How Napatech Benefits

- We gain access to leading edge FPGA technology
- We reach new customers that we cannot on our own
- We get access to new high growth parts of the market
- We enter the ecosystems of much larger tech players

Bottomline: Our software remains our strategic value

Evolutionary Step for SmartNICs is the IPU/DPU



New SmartNic Architectures:

Infrastructure Processing Unit (IPU)
Data Processing Unit (DPU)

Unlocks New Customers and Use Cases:

Cloud bare-metal servers
Hypervisor offload
Microservices

- We are enhancing our SmartNIC HW solutions to include x86 and ARM CPU cores
- We are investing in our SmartNIC SW to power our expanding SmartNIC HW portfolio
 - We have built key partnerships to take a leading role as this evolution occurs

Link-Programmable™ SmartNIC Solution

napa:tech;
RECONFIGURABLE COMPUTING

napa:tech;
RECONFIGURABLE COMPUTING

PRESS RELEASE

Napatech Link Programmable SmartNICs Provide Massive Parallel Processing Capacity for Compute-Intensive Applications

Link Programmable SmartNICs Give Users the Ability to Define Custom FPGA-based Computation

COPENHAGEN, Denmark, December 8, 2021 – Napatech, a leading provider of programmable SmartNICs used in cloud, enterprise and telecom datacenter networks, today announced a new design win with The Packet Company, who will use Napatech's Link-Programmable™ SmartNICs to develop its next-generation recorder product.

Link™ Programmable SmartNICs are vision, video encoding, high-frequency DSP, encryption/decryption, compression and other compute-intensive applications. They enable up to 90x higher performance per watt than GPU-based solutions.

Click to Tweet: Napatech's Link Programmable SmartNICs provide massive parallel processing capacity for compute-intensive applications at a fraction of the cost.

The Link™ Programmable SmartNICs

- Fully programmable with immense performance and substantial cost savings over other solutions.
- PCI-SIG certified and linkable: With offering terabits/second, linked via PCIe, they can be configured to support a wide range of applications.
- A flexible, configurable platform: The platform is fully supported by the Link™ Programmable SmartNICs, which can be configured with a wide range of applications.
- New possibilities: The solution opens up new possibilities for applications and use cases that were previously not possible.

Philip Søberg, Product Manager

"Unlike other providers of blank and generic hardware, Napatech's Link Programmable SmartNICs provide massive parallel processing capacity for compute-intensive applications at a fraction of the hardware design have yielded a rock-solid solution."

For more information about Link™ Programmable SmartNICs, visit <https://www.napatech.com/products/link-programmable/> or contact us at enquiries@packet.company.

Napatech's Link-Programmable SmartNICs Chosen by The Packet Company for Its Next-Generation 100G Recorder Product

Press Release

COPENHAGEN, Denmark – Dec 8, 2021 – Napatech™ (OSLO: NAPA.OL), the leading provider of programmable SmartNICs used in cloud, enterprise and telecom datacenter networks, today announced a new design win with The Packet Company, who will use Napatech's Link-Programmable™ SmartNICs to develop its next-generation recorder product.

Click to Tweet: @Napatech's Link Programmable SmartNICs chosen by @ThePacketCompany for its next-generation recorder product: link #FPGA

The Packet Company develops network applications and appliances for demanding networks requiring full line-rate recording, with concurrent recording and replay, without impacting performance. They needed a solution that was flexible and engineered to help offload processing that would otherwise need to be performed on the host server, thus enabling the support of higher signal speeds and the capability to capture traffic from non-ethernet signals.

Managers of government and critical infrastructure networks face the challenge of exponential growth in data volume and complexity, in addition to increased sophistication of cyber-attacks. The Packet Company's recorders create the visibility needed to protect them; organizations can see and capture all the data running through their networks.

Napatech's Link-Programmable solution is specifically engineered for high-performance computing solutions. It provides an industry-proven, ultra-reliable, FPGA-based SmartNIC platform for OEMs and end-users to deploy their own custom applications and software based on industry open and standard tools.

The Packet Company's new product incorporating Napatech Link-Programmable SmartNICs will provide organizations with:

- Ease of use with excellent performance and reliability in network security applications and test labs
- Top-quality solutions to some of the common problems that network and test engineers encounter
- An extremely flexible platform for both lab and field use

Andrew Thomson, CEO, The Packet Company said: "Our products are open and flexible, which enables users to enhance and extend them, reconfigure them, and integrate them with other systems. Napatech brings the production-grade features we need to develop our next recorder product and best serve our customers."

For more information, visit <https://packet.company> or contact us at enquiries@packet.company.

Jarrod Siket, CMO, Napatech said: "Our solution offers a platform with unmatched performance, programmability and reliability. We are glad to partner with The Packet Company, given their proven ability to provide unique solutions to their customers by taking advantage of the many capabilities of programmable SmartNICs."

For more information, please visit: <https://www.napatech.com/products/link-programmable/>

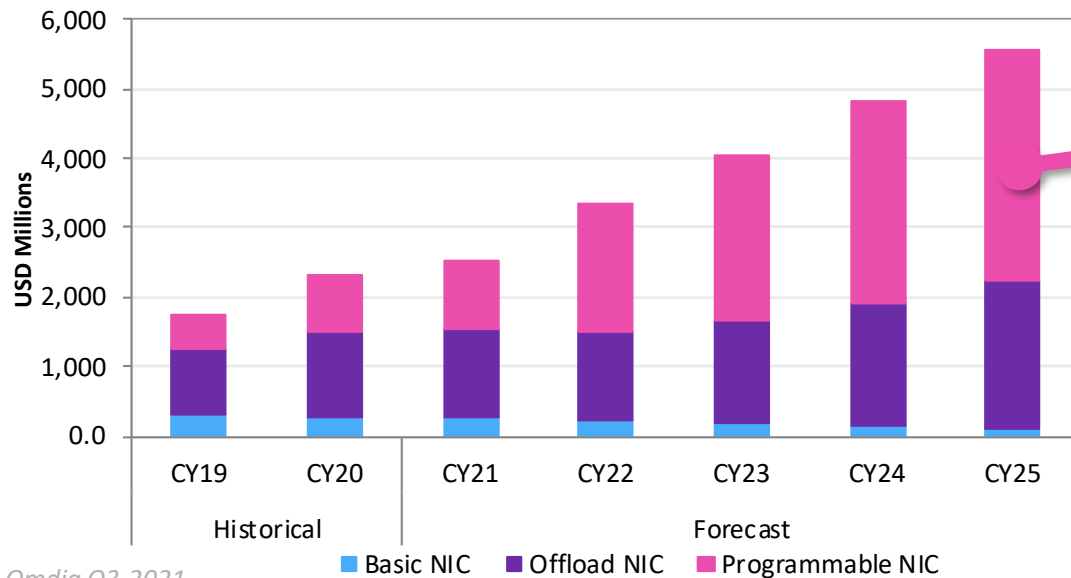
- Product Announced 3Q'21
- Two New Design Wins in 4Q'21
- 10+ opportunities unfolding

Validation of expanding set of applications and use-case enabled by programmable SmartNICs

Napatech Emerging in Growing Market

Overall NIC Market Q3'21

Napatech remains on the top 10 list of all NIC makers with 1.2% share.



Omdia Q3-2021

Ethernet Network Adapter Equipment Market Tracker

Programmable NIC Market Share Q3'21

Napatech is ranked #4 of SmartNIC vendors with 3.1% share.

Programmable NICs Q3'21 Market Share		
1.	Microsoft	29.0%
2.	Amazon	24.9%
3.	Marvell	20.3%
4.	Xilinx	5.5%
5.	Intel	4.8%
6.	Napatech	3.1%
7.	Broadcom	3.0%
8.	Silicom	2.4%
9.	NVIDIA	1.8%
	Others	6.0%

Vendors

- The SmartNIC market is the fastest growing
- We are investing and building partnerships to gain access to faster growing parts of this market
- Our strategy is already beginning to pay off

Q4'21 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

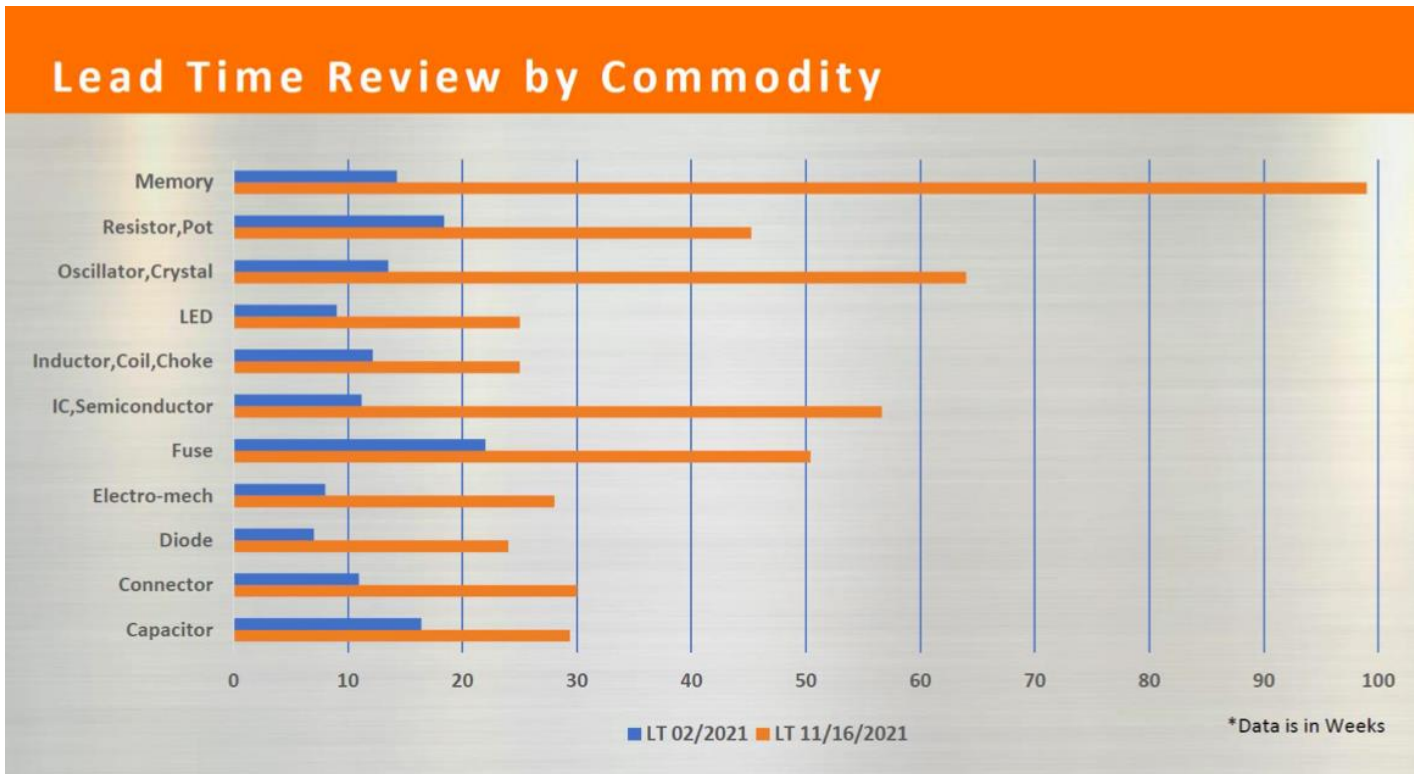
Financial / Enterprise



Faster networks &
nanosecond
precision for high-
frequency trading

Napatech Managing Supply Chain Situation

Napatech has managed the supply chain challenge well despite significantly increased lead times for typical sourced components



- Napatech product Gross Margins well managed via cost control and price increases
- Ongoing proactive sourcing of SmartNIC components expects supply to support above revenue guidance in 2022
- Other impacts being observed
 - Industry server supplies
 - Labor costs and shortage
 - Shortages of customer personnel
 - Project delays
 - Lengthened deal timelines and shifting opportunities

Q4 & FY 2021 Financial Results

Consolidated Income Statement Q4 & FY 2021

DKK'000	Q4		Full-year		Q4	Full-year
	2021	2020	2021	2020	Δ	Δ
Revenue	54,992	52,478	195,471	194,233	5%	1%
Cost of goods sold	(15,305)	(14,728)	(55,113)	(55,265)		
Gross profit	39,687	37,750	140,358	138,968	5%	1%
GM%	72.2%	71.9%	71.8%	71.5%		
Other operating income	600	-	625	5		
Staff costs	(16,915)	(24,046)	(88,749)	(96,208)	-30%	-8%
Other external costs	(6,135)	(6,734)	(22,927)	(20,883)	-9%	10%
EBITDAC	17,237	6,970	29,307	21,882		
Transferred to capitalized development costs	5,854	4,751	23,608	13,479	23%	75%
EBITDA	23,091	11,721	52,915	35,361		
Depreciation, amortization and impairment	(6,677)	(7,992)	(22,253)	(25,276)	-16%	-12%
Operating result (EBIT)	16,414	3,729	30,662	10,085		
Finance income	1,087	783	6,972	1,835		
Finance costs	(166)	(3,124)	(636)	(6,839)		
Result before tax	17,335	1,388	36,998	5,081		
Income tax	4,321	4,771	3,230	4,514		
Result for the period	21,656	6,159	40,228	9,595	252%	319%
EBITDAC%	31%	13%	15%	11%		
EBITDA%	42%	22%	27%	18%		
EBIT%	30%	7%	16%	5%		

Key Highlights

- Revenue in Q4 in USD up 2% compared to Q4'20 (*up 5% in DKK*). Revenue FY in USD up 5% compared to 2021 (*up 1% in DKK*)
- GM in Q4 72.2% up 0.3 basis points compared to Q4'20. GM FY 2021 71.8% up 0.3 basis points compared to 2020
- Staff costs in Q4 down 30% compared to Q4'20 and down 8% FY 21 compared to 2020.
- Other external costs in Q4 down 9% compared to Q4'20 and up 10% FY 21 compared to 2020.
- Q4 EBITDAC positive DKK 17.2m – up DKK 10.3m compared to Q4'20. FY EBITDAC positive DKK 29.3m – up DKK 7.4m compared to 2020.
- Result for the period FY positive DKK 40.2m – up DKK 30.6m compared 2020.

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

Consolidated Cash Flow Statement Q4 & FY 2021

DKK'000	Q4		Full-year	
	2021	2020	2021	2020
Earnings before tax (EBT)	17,335	1,388	36,998	5,081
Adjustments to reconcile profit before tax to net cash flows	5,862	10,910	18,399	32,629
Working capital adjustments	(7,438)	(254)	(38,599)	6,852
Interest, net	(517)	2,759	(1,867)	1,867
Income tax, net	15,242	14,838	14,950	47,642
Net cash flows from operating activities	15,242	14,838	14,950	47,642
Net cash used in investing activities	(12,154)	(4,858)	(30,953)	(14,023)
Free cash flow	3,088	9,980	(16,003)	33,619
Net cash flows used in financing activities	(3,672)	(16,991)	(8,308)	(33,680)
Net change in cash and cash equivalents	(584)	(7,011)	(24,311)	(61)
Net foreign exchange difference	(522)	(997)	1,062	(1,547)
Cash and cash equivalents at the beginning of the period	40,555	70,706	62,698	64,306
Cash and cash equivalents at the end of the period	39,449	62,698	39,449	62,698

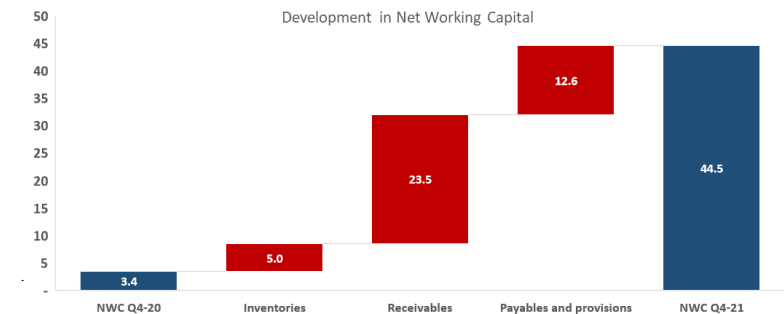
Net working capital

- NWC as % of revenue in quarter

	2021	2020
Net working capital	44,526	3,419
- NWC as % of revenue in quarter	81%	7%

Key Highlights

- Net Cash flow from operating activities in Q4 DKK 15.2m – FY 2021 DKK 15.0m
- Net working capital end of Q4 DKK 44.5m ~ 81% of revenue in quarter



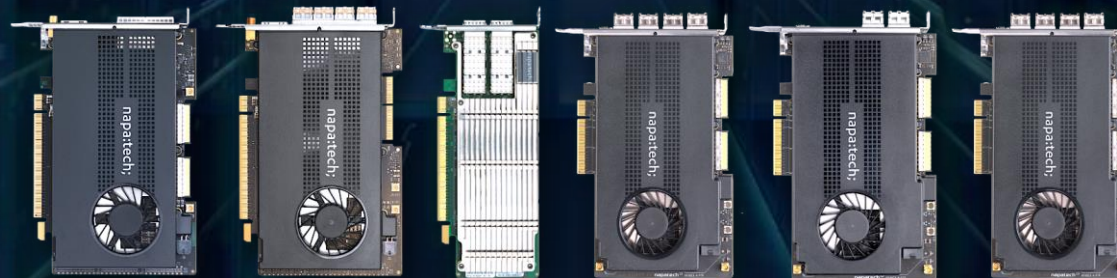
- Free cash flow in Q4 positive DKK 3.1m
- Cash and cash equivalents of DKK 39.4m end of Q4 21 compared to DKK 62.7m end of Q4'20

2022 Outlook

Napatech's Accelerating Investment & Going For Growth

Full Steam Ahead

- We see a large opportunity in fast-growing target use cases in cloud, mobile/telco, enterprise and edge datacenters
- Napatech's SmartNICs offload servers and accelerate apps
- Our SmartNIC software improves performance and is our key strategic advantage
- Napatech has increased investments in software development to accelerate feature velocity within this evolving market
- Progress hiring +30 full-time R&D and subcontractors has gone well
- Investments enable access to new 2022 design wins and revenue expansion for years to come



Annual Guidance for 2022

	Guidance
Revenue	DKK 235-260m
Gross margin	69-71%
Staff expenses & Other external costs	DKK 155-165m
Staff costs transferred to capitalized development costs	DKK 28-33m
Depreciation and amortization	DKK 23-28m

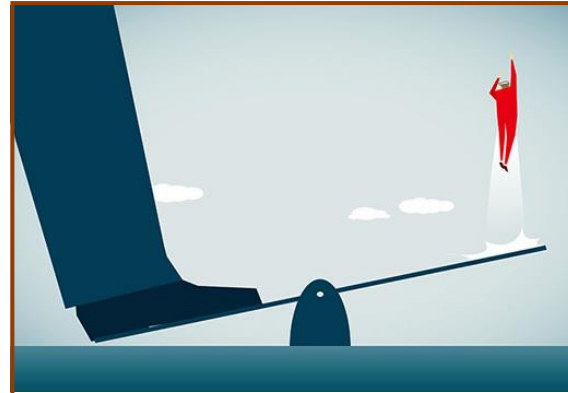
Key Highlights

- In 2022 Napatech is expecting revenue in the range of USD 37-41m corresponding to growth between 19%-32% compared to 2021.
- Component pricing challenges are factored into in Gross Margins
- Increase to engineering capacity is fully accounted for within outlook
- With performance in the middle of the guided ranges, EBITDAC would be positive DKK 13.3m and EBIT would be positive DKK 18.3m

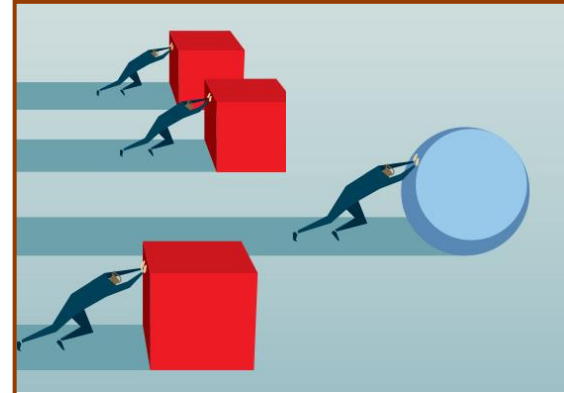
Why Invest In Napatech?



**Profitable and
scalable business
model**



**Great reputation
with customers and
business partners**



**Increasing
investments in close
collaboration with
key industry leaders**



**Targeting high
growth, very
interesting new
market segments**



Q&A Session at the end of the presentation

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