

The Napa:tech logo is positioned vertically on the left side of the slide. It features the word 'Napa' in a large, bold, orange font, followed by ':tech' in a smaller, bold, teal font. The background of the slide is a dark blue with a complex, wavy pattern of concentric lines and scattered white dots, resembling a stylized galaxy or a digital network.

napa:tech;
RECONFIGURABLE COMPUTING

4Q 2020 Presentation

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25 February 2021



Q&A Session at the end of the presentation

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Mark Your Calendar for Napatech's Capital Markets Day

March 17, 2021

14:00 CET

Sign-up @ www.napatech.com

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IMS Report Topics

- 2+ Years of Progress
- Q4'20 & FY'20 Financial Summary
- Business Highlights
- 4Q 2020 & FY Financials
- 2020 Outlook
- Q&A

Napatech is Building Momentum for Future Growth



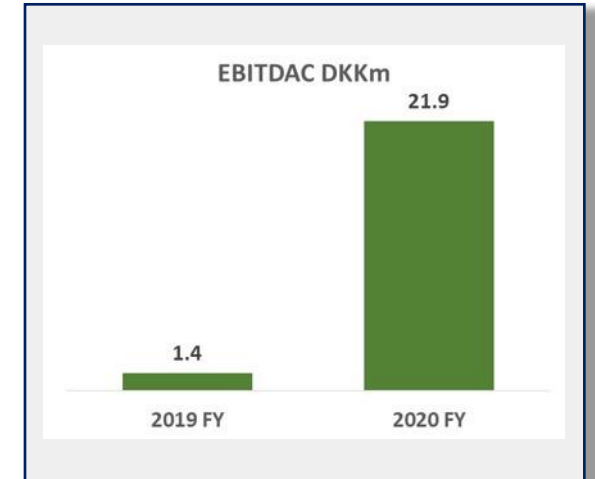
FY'20 Financial Summary



Solid Revenue Growth **+16%**

Best-Ever EBITDAC **+21.9 DKK m**

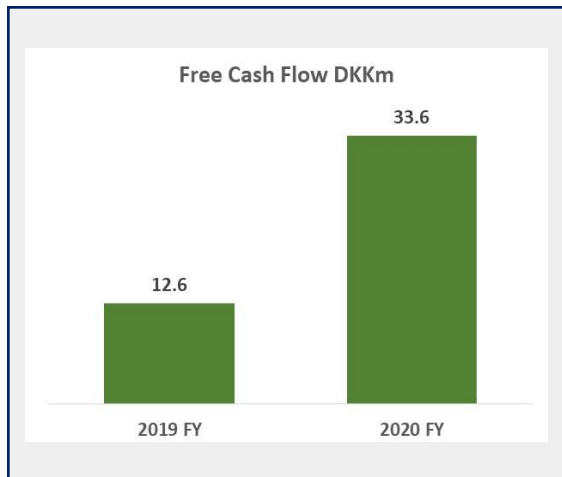
Strong Free Cash Flow **+33.6 DKK m**



Gross Margins of **71.5%**

Solid Earnings **9.6 DKK m**

Momentum



Business Highlights

Napatech Builds SmartNICs

Applications



Cybersecurity



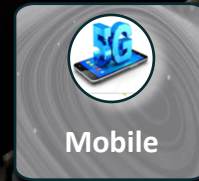
Monitoring



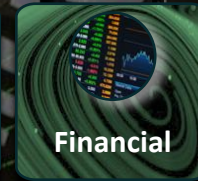
Infrastructure



Cloud & Edge

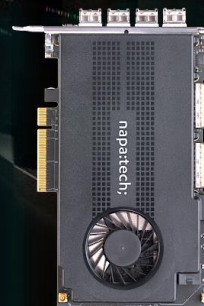
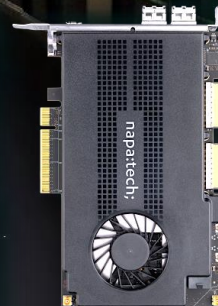
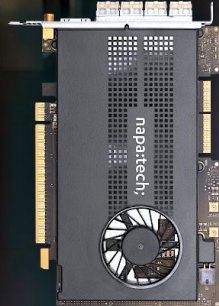
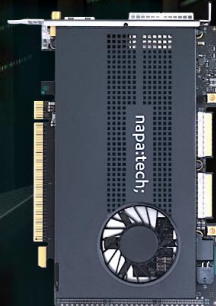


Mobile



Financial

Napatech SmartNICs
Accelerate
Server-based Applications



Networks are Servers Deployed at Massive Scale

The Problem: Server CPU's Cannot Keep Up

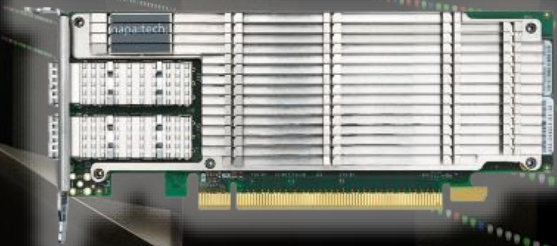
Applications Demand
More CPU Power

SmartNIC
Acceleration

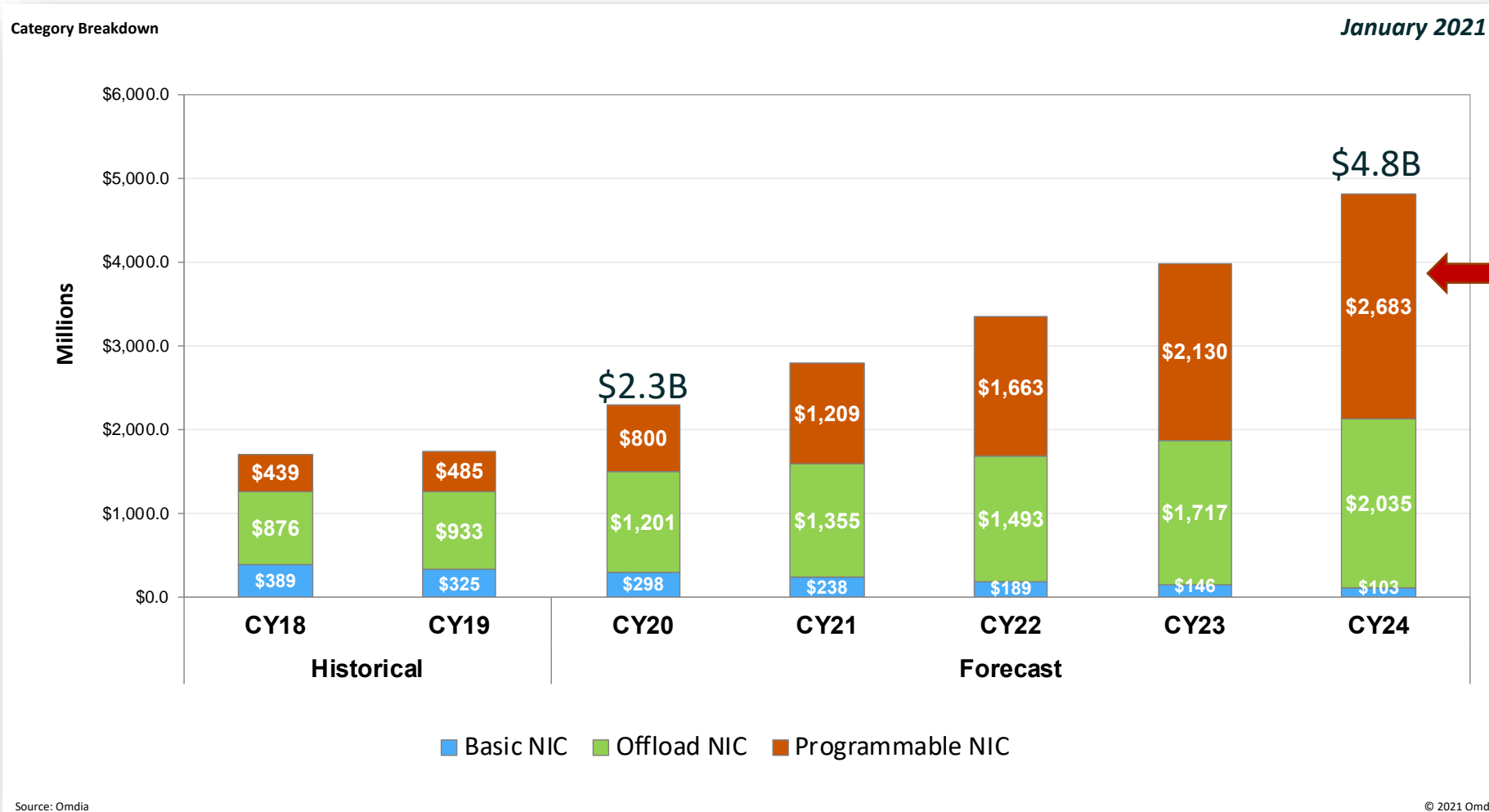
Server CPU Performance
Cannot Keep Up with Demand

The Solution:
FGPA SmartNICs

*solve the application performance
gap on standard server platforms*



Napatech is Emerging in a Large Growing Market



- The latest report shows a shift from the Off-Load to Programmable NIC segment
- Napatech is ranked in the top 10 of the total NIC market
- Napatech is measured in this highest growth segment of the NIC market

Q4'20 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 Technology



Faster networks &
nanosecond
precision for high-
frequency trading

Napatech Makes Major Progress in Fintech Market

Napatech Sees Surge In Demand From Financial Services Markets

Company to Showcase FPGA SmartNIC Solutions at Global STAC Live



NEWS PROVIDED BY
Napatech →
Jun 02, 2020, 13:36 ET

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COPENHAGEN, Denmark, June 2, 2020 /PRNewswire/ -- Napatech™ (OSLO: NAPA.OL), the leading provider of reconfigurable computing platforms, today reported a recent surge in demand for its FPGA-based SmartNIC software and hardware solutions in support of several leading applications within the financial services and banking sectors. The company will showcase

Click to Tweet: @Napatech
<https://stacresearch.com>



Source: Global Security Mag

Napatech: Napatech Secures FinTech Design Win

Napatech announced that a tier-1 global financial services trading firm has selected Napatech 40 and 100 Gbps SmartNICs for their trading network. The solution enables the customer to reliably and accurately perform market data analytics to improve trading behavior that maximizes revenue and de-risk transactions. Additional capabilities ensure regulatory compliance and strengthen the security of the data in flight across the trading network, at a time when the networks of banking, (...) - Business News

FINTECH

Customers in
FY2020



Lenovo - Napatech Partnership Takes Shape

Lenovo™

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Napatech enters into design agreement with Lenovo

Napatech estimates the revenue potential of the design agreement to exceed \$ 10 million over the life of the product, building customer orders in the second half of 2021.



AGREEMENT: Napatech joins forces with Lenovo to deliver 25 and 100 gigabit Ethernet programmable SmartNICs to data centers.

Mer...

- Product Development Collaboration
- Focused on NEW Virtualization Solution
- Lenovo branded
- Napatech designed
- New Revenue in 2021+

4Q 2020 & FY Financials

Income Statement Q4 & FY 2020

DKK'000	Q4		FY		Q4	FY
	2020	2019	2020	2019	Δ	Δ
Revenue	52,478	54,013	194,233	170,607	-3%	14%
Cost of goods sold	(14,728)	(13,807)	(55,265)	(43,421)		
Gross profit	37,750	40,206	138,968	127,186	-6%	9%
GM%	71.9%	74.4%	71.5%	74.5%		
Other operating income	-	17	5	19		
Staff costs	(24,046)	(27,050)	(96,208)	(98,991)	-11%	-3%
Other external costs	(6,734)	(7,361)	(20,883)	(26,797)	-9%	-22%
EBITDAC	6,970	5,812	21,882	1,417		
Transferred to capitalized development costs	4,751	4,375	13,479	13,856	9%	-3%
EBITDA	11,721	10,187	35,361	15,273		
Depreciation, amortization and impairment	(7,992)	(6,625)	(25,276)	(25,355)	21%	0%
Operating result (EBIT)	3,729	3,562	10,085	(10,082)		
Finance income	783	403	1,835	443		
Finance costs	(3,124)	(4,402)	(6,839)	(4,613)		
Result before tax	1,388	(437)	5,081	(14,252)		
Income tax	4,771	2,626	4,514	651		
Result for the period	6,159	2,189	9,595	(13,601)		

Key Highlights

- Revenue in Q4 down 3% in DKK compared to Q3'19 (*up 4% in USD*). Revenue FY up 14% in DKK compared to '19 (*up 16% in USD*).
- GM in Q4 was 71.9%, down 3.5 basis points compared to Q4'19. GM FY was 71.5%, down 3 basis points compared to '19.
- Staff costs in Q4 was down 11% compared to Q4'19 and down 3% FY compared to '19.
- Other external costs in Q4 were down 9% compared to Q4'19 and down 22% FY compared to '19.
- Q4 EBITDAC positive DKK 7.0m – up DKK 2.2m compared to Q4'19. EBITDAC FY positive DKK 21.9m – up DKK 20.5m compared to '19.
- FY Result '20 positive DKK 9.6m

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

Cash Flow Statement Q4 & FY 2020

DKK'000	Q4		FY	
	2020	2019	2020	2019
Earnings before tax (EBT)	1,388	(437)	5,081	(14,252)
Adjustments to reconcile profit before tax to net cash flows	10,910	11,117	32,629	31,142
Working capital adjustments	(254)	(656)	6,852	7,064
Interest, net	(50)	(82)	587	(697)
Income tax, net	2,844	5,165	2,493	3,191
Net cash flows from operating activities	14,838	15,107	47,642	26,448
Net cash used in investing activities	(4,858)	(3,374)	(14,023)	(13,857)
Free cash flow	9,980	11,733	33,619	12,591
Net cash flows from financing activities	(16,991)	(11)	(33,680)	34,514
Net change in cash and cash equivalents	(7,011)	11,722	(61)	47,105
Net foreign exchange difference	(997)	(476)	(1,547)	42
Cash and cash equivalents at the beginning of the period	70,706	53,060	64,306	17,159
Cash and cash equivalents at the end of the period	62,698	64,306	62,698	64,306

	2020	2019
Net working capital	3,419	17,427
- NWC as % of revenue in quarter	7%	32%

Key Highlights

- Net Cash flow from operating activities in Q4 was positive DKK 14.8m, and FY20 was positive DKK 47.6m.
- Net working capital at the end of Q4 was DKK 3.4m ~ 7% of revenue in quarter.
- Free cash flow in Q4 was positive DKK 10.0m, and FY20 was positive DKK 33.6m up DKK 21.0m compared to FY19.
- Free cash flow-to-sales ratio in FY20 at 17.3% compared to 7.4% in FY19.
- Cash and cash equivalents at DKK 62.7m end of Q4 compared to DKK 64.3m at the end of Q4'19.

2021 Outlook

Napatech is Earning a Path to the Next Level

- Focused on Application Acceleration
 - 5G Mobile, Cloud & Edge
 - Networking and Cybersecurity
 - Financial Services
- Supporting Faster Networks
 - 25G to 100G growing fast
- Making Servers More Cost Effective
 - Smaller footprint, Lower power/cost

- Solid Core Product Momentum
- Building New Product Revenues
- Winning New Design Wins
- Gaining traction on key new partnerships

Annual Guidance for 2021

	Guidance	Middle
Revenue	DKK 210-230m	DKK 220m
Gross margin	70-72%	71%
Staff expenses & Other external costs	DKK 125-135m	DKK 130m
Transferred to capitalized development costs	DKK 20-25m	DKK 22.5m
Depreciation, amortization and impairment	DKK 20-25m	DKK 22.5m
Revenue USD	\$35.0-38.3M	\$ 36.7M
Revenue growth USD	17.8-29.1%	23.5%
EBITDAC & EBIT	DKK 22-30.6m	DKK 26.2m

Key Highlights

- Revenue growth in USD between \$35.0-\$38.3M corresponding to 17.8-29.1% growth
- Strong FX head wind compared to 2020 expected
- With performance in the middle of the guided ranges EBITDAC and EBIT would be DKK 26.2m

Why Invest In Napatech?



**STABLE
&
GROWING**



**REVENUE,
CASH FLOW
&
EARNINGS**



**EXCITING
MARKET
POTENTIAL**



**DELIVERING
PRODUCT
INNOVATION**



**WINNING
TOP
CUSTOMER
BRANDS**



Q&A Session at the end of the presentation

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