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RECONFIGURABLE COMPUTING

# 23rd Annual Needham Virtual Growth Conference

Ray Smets  
CEO

15 January 2021

# Danish Tech Company Founded in 2003, Listed in 2013

- +17 year history delivering **high-performance Network Interface Cards (SmartNICs)** to customers globally
- Unparalleled expertise accelerating compute-intensive applications on standard open servers
- High-tech solution with 22 patents & patents-pending provides high barrier-to-entry for competitors
- Solid gross margins and highly leverageable business model
- Targeting rapidly expanding \$2.3B Programmable NIC market by 2024
- Listed NAPA:OL

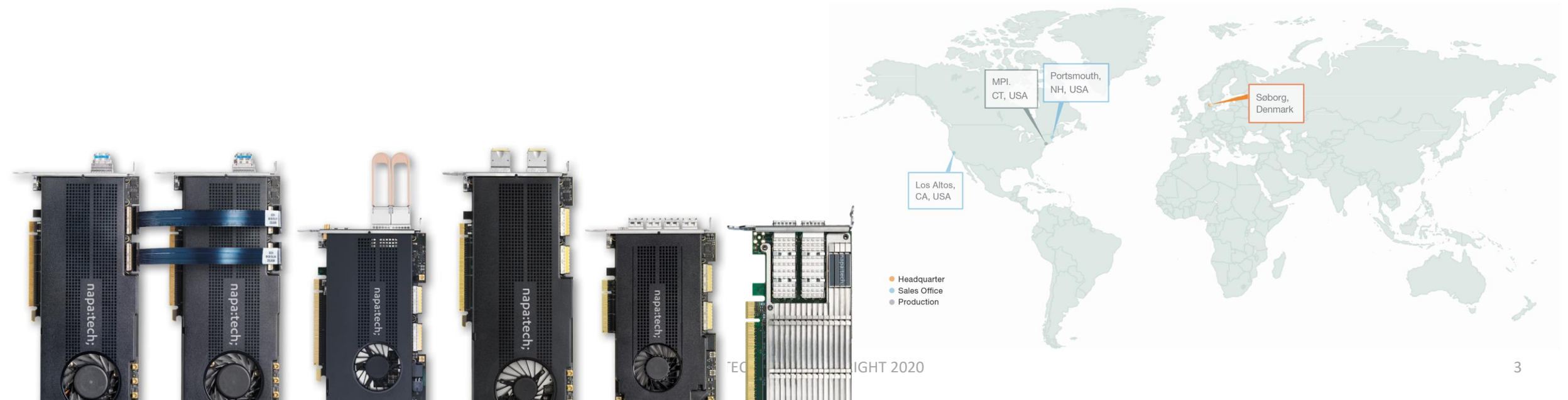
## Top Tier Global Customers





# Unique Expertise Focused on Application Acceleration

- Napatech designs high-performance SmartNICs with software to offload servers and accelerate CPU-hungry applications
- R&D located in Denmark and Sales organization located in USA, DK and Asia; 85 employee total
- Production handled by a US-based contract manufacturer specialized in building complex products in small series meeting extremely high-reliability requirements
- SmartNIC unit prices range from \$1,500 to \$11,000+



# Selling to Top Tier Global Customers

- Napatech customers are primarily global top-tier companies
- Majority of revenue comes from global OEMs with long-term strategic relationships and sales committed through multi-year design win cycles
- Direct end-user sales to large corporations with own data centers has emerged in recent years

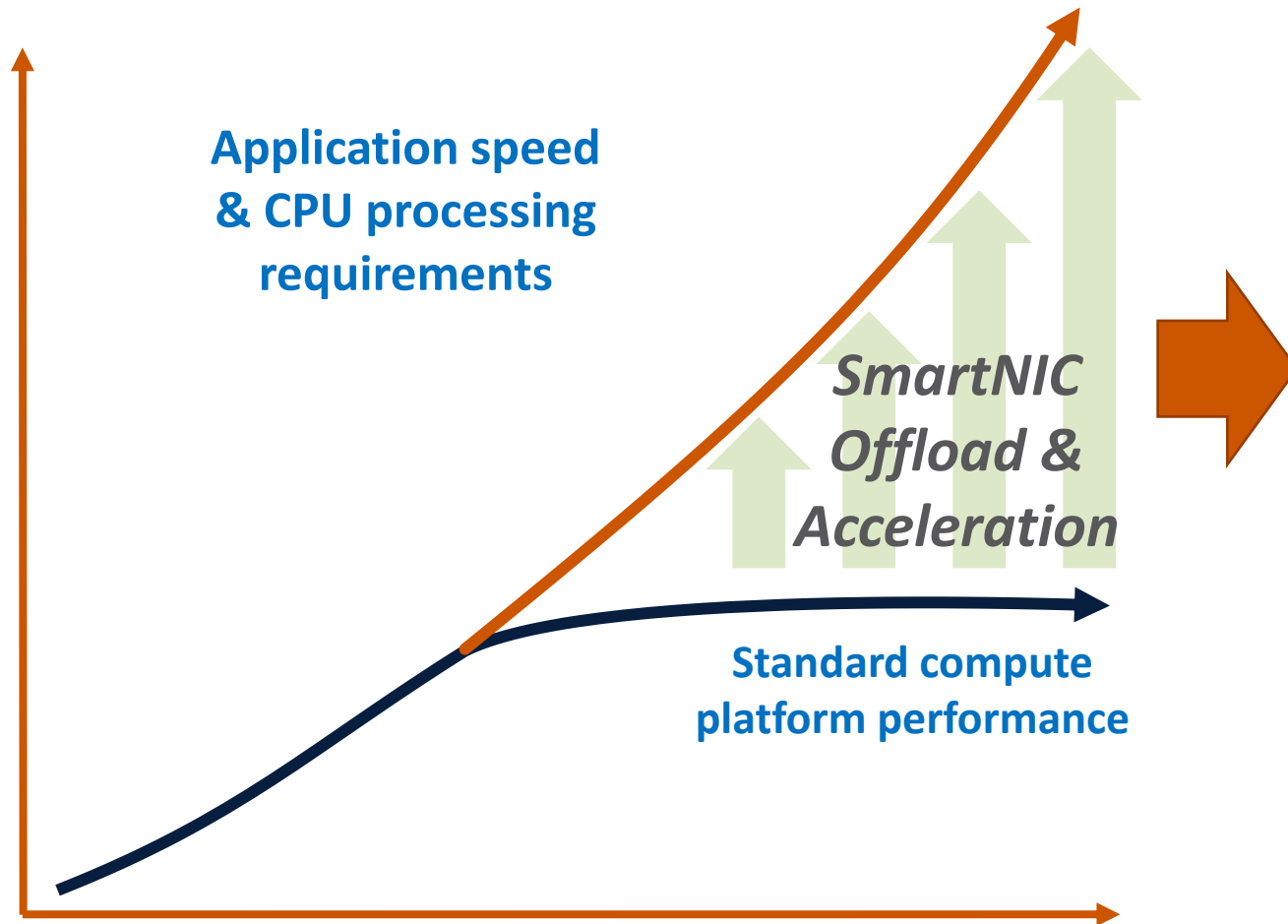
*Recurring Orders in Q1, Q2 & Q3'20*



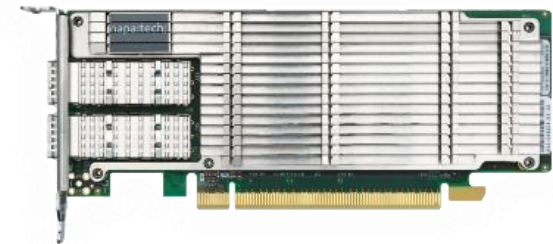
*Ordered in Q3'20*



# The Problem: Server CPU's Cannot Keep Up



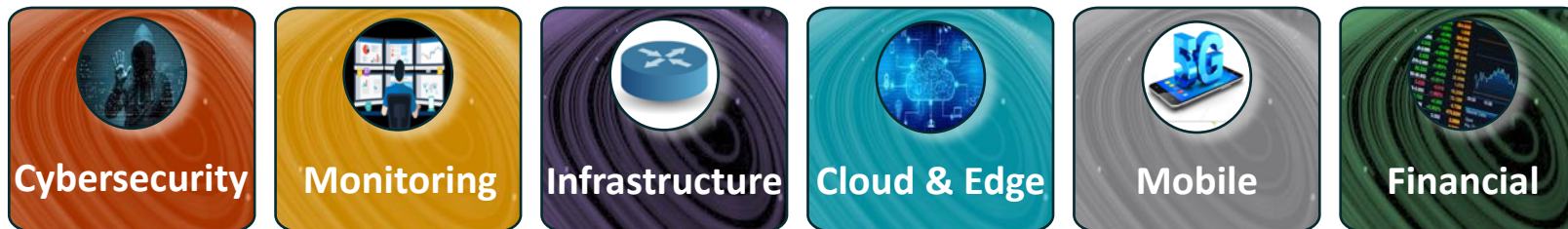
**The Solution:**  
*FGPA SmartNICs*  
*solve the application performance gap on standard server platforms*



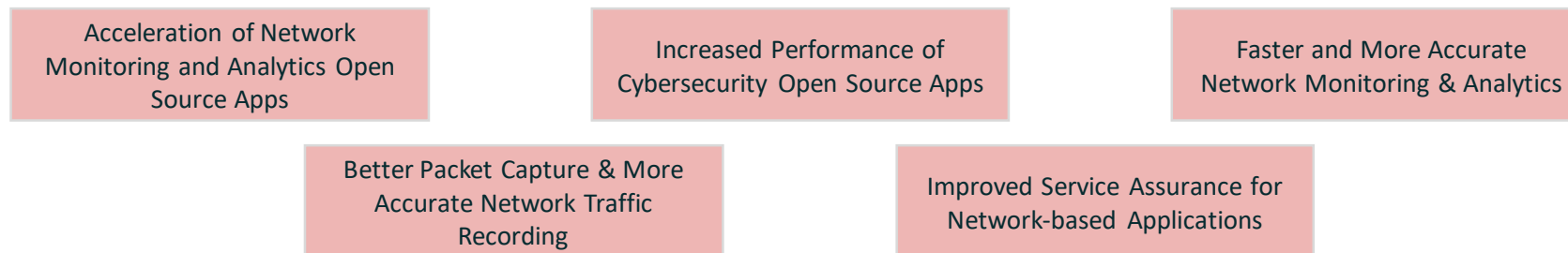
# The Solution: Napatech's SmartNICs are Used to Accelerate Applications

- Using Napatech's SmartNICs customers can:
  - achieve significantly faster application performance on business-critical applications
  - obtain significant capacity improvements from increased data throughput
  - free up expensive server CPUs, saving floor-space and energy consumption
  - Improve TCO

## *Applications in Data Centers & Cloud Networks*



## *Use-Cases*



# Napatech is addressing a rapidly growing market

- Growth in SmartNIC market is fueled by
  - growth in servers for data centers, corporate networks and 5G infrastructure
  - accelerating network speeds, and
  - increased security workloads





# TOTAL NIC Market Segmentation

SmartNICs

## 1 Basic NIC

- Ultra-low cost, low-margin
- Fixed function
- Not programmable (ASIC-based)

## 2 Offload NIC

- Slightly more expensive
- Focused on offload and some acceleration
- Specialized functions, not programmable (ASIC-based)

## 3 Programmable NIC

- Higher-cost, higher margin
- Ultra-high performance and functionality
- Programmable for feature velocity

### Market Share (%)

1H 2020

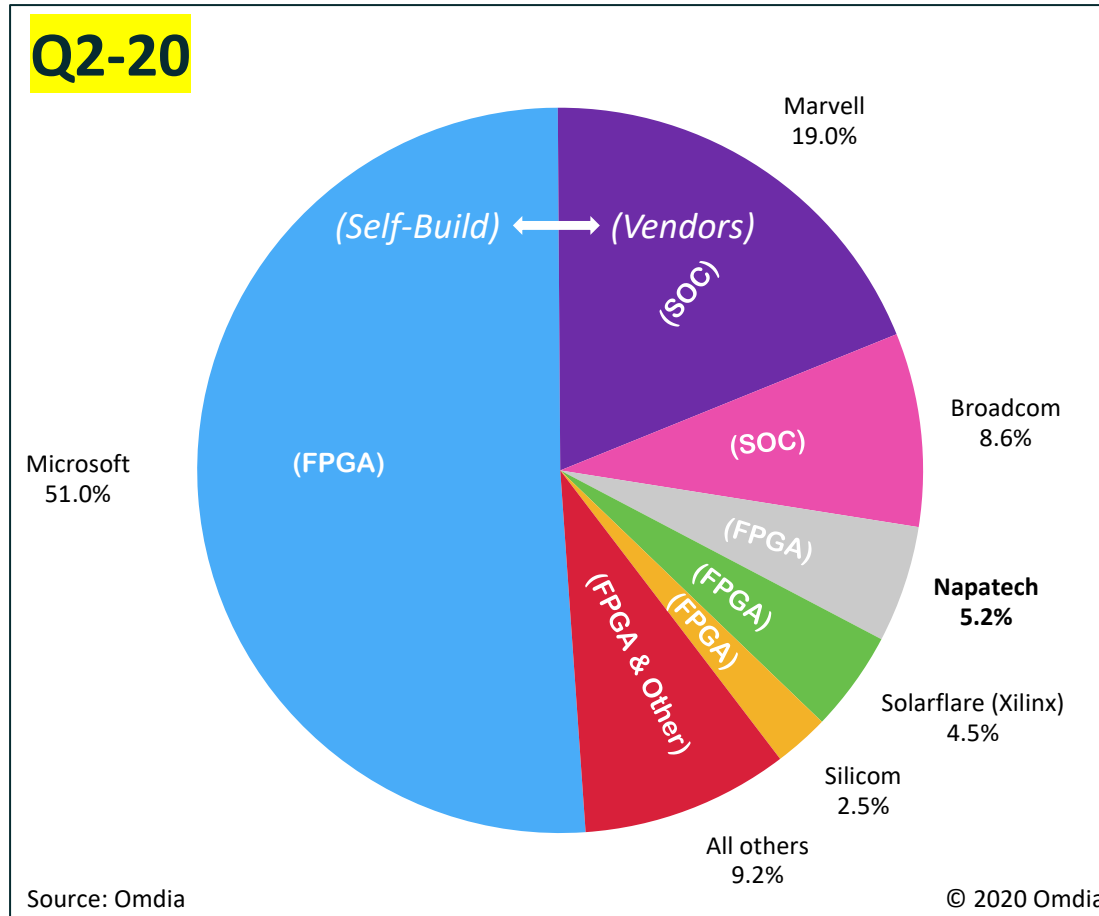
1.	Mellanox (NVIDIA)	24%
2.	Intel	21%
3.	Broadcom	14%
4.	Microsoft	13%
5.	Amazon	7.9%
6.	Marvell	7.8%
7.	Solarflare (Xilinx)	3.0%
8.	Silicom	1.6%
9.	Napatech	1.3%
10.	Cisco	1.2%

*Napatech moved up to #9 for ALL NICs*

Omdia Q2-2020  
Ethernet Network Adapter Equipment Market Tracker



# Programmable NIC Market Overview



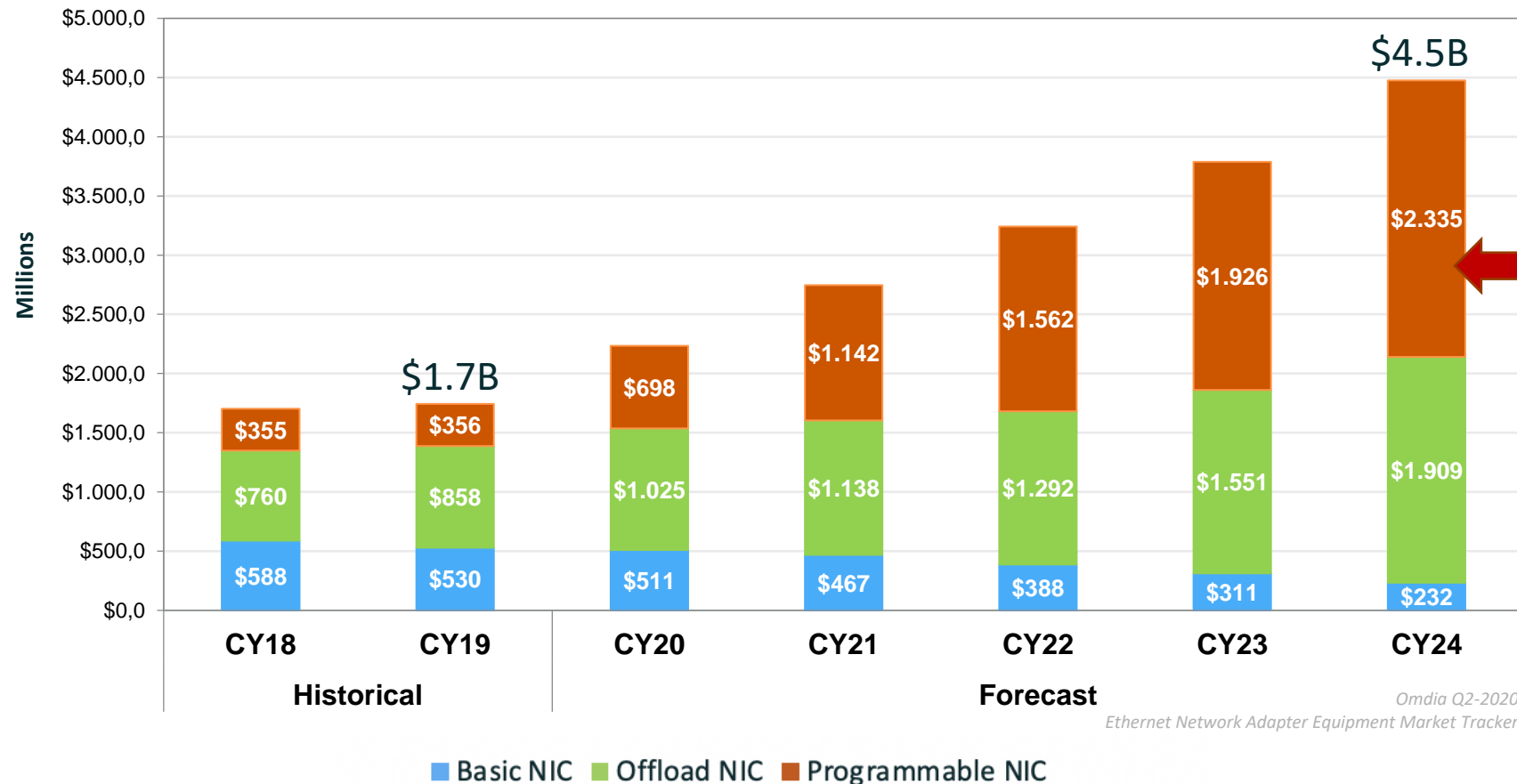
- *Napatech ranks #3 amongst major vendors in Programmable NIC market\**
- *~70% of all Programmable NICs today are FPGA-based*
- *Napatech is #1 vendor with FPGA solutions*

Omdia Q2-2020  
Ethernet Network Adapter Equipment Market Tracker

# Napatech is Emerging in a Large Growing Market

*Leading market analysts estimate the NIC market will grown from \$1.7B in 2019 to \$4.5B in 2024*

Category Breakdown



- Programmable NIC is the fastest growing part of the NIC market
- Napatech targets the highest growth segment of the overall NIC market

## 3Q 2020 Financials

# YTD FY2020 Continues On Track for a Strong Year

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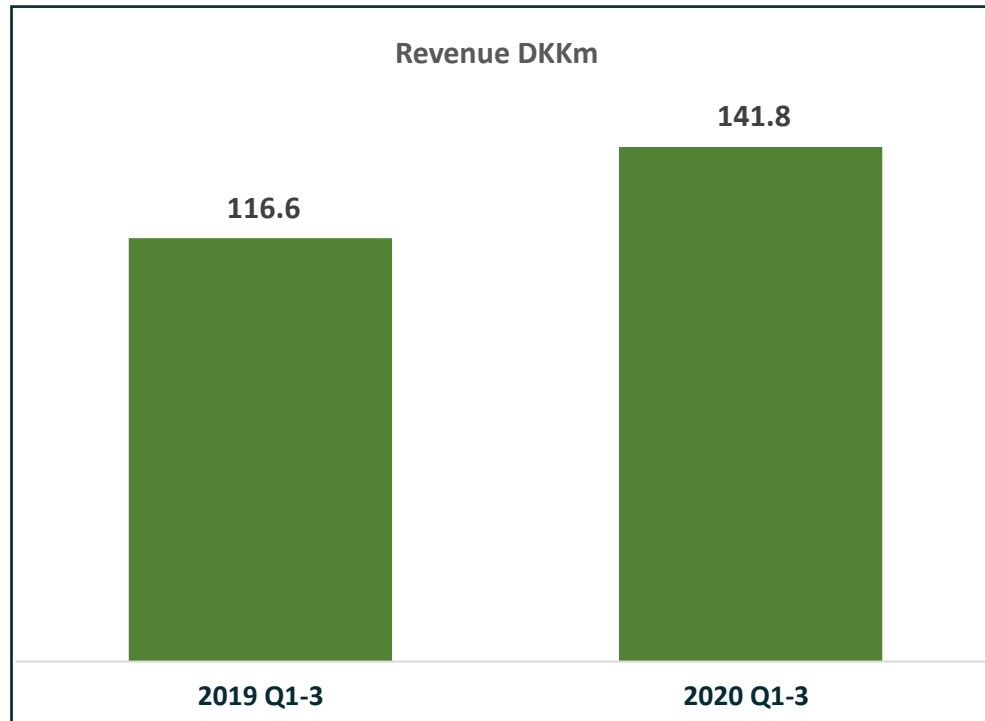
- ✓ Growing
- ✓ Profitable
- ✓ 3Q 2020 YoY Revenue Growth **+22%**
- ✓ Gross Margins YTD of **71.4%**
- ✓ Free Cash Flow YTD of **23.6 DKKm**
- ✓ EBITDAC & EBITA **Positive** and **Growing**
- ✓ Earnings is **Positive YTD 2020**



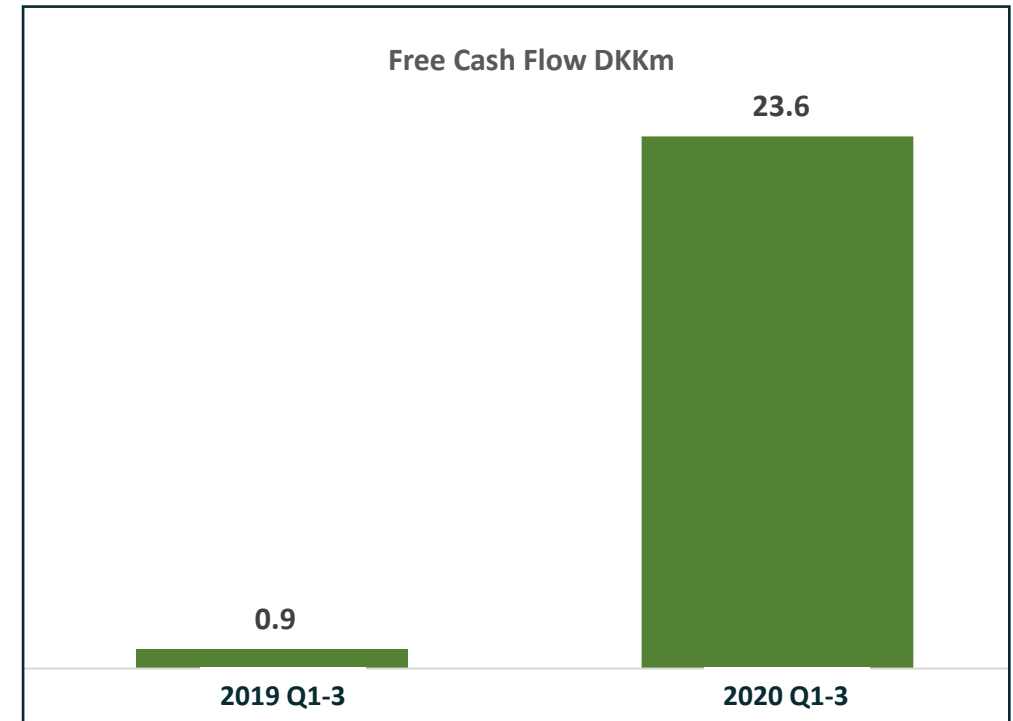
# Q1-Q3 Trends: Growing and Profitable



Q1-Q3 Revenue over last year demonstrates solid growth in 2020 and the underlying strength of Napatech's business



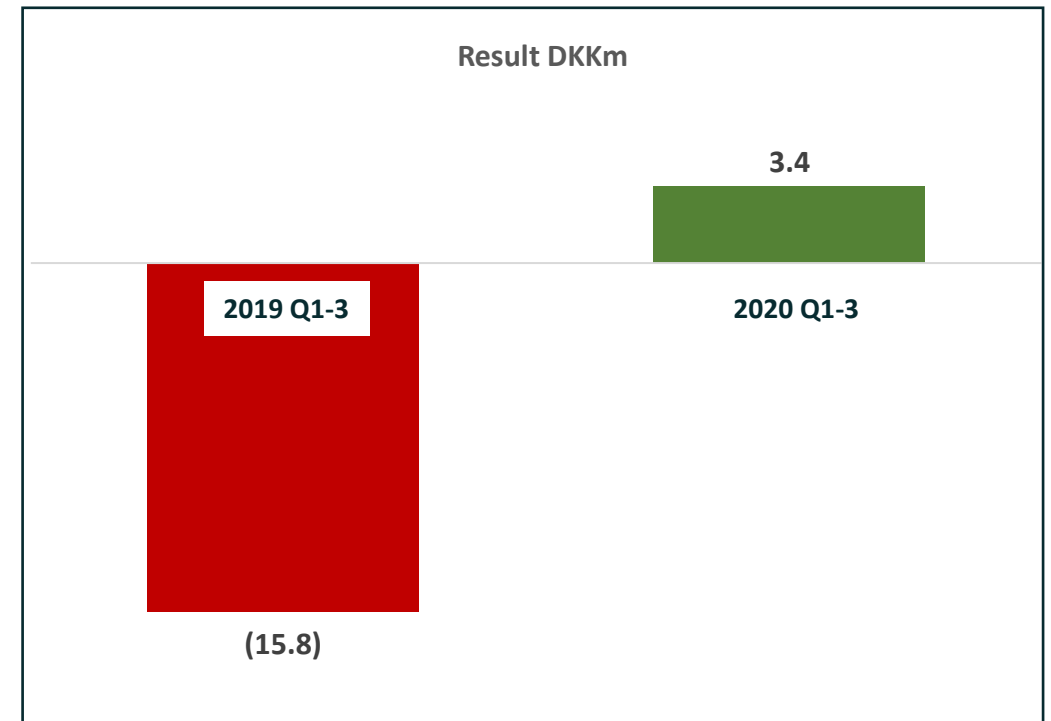
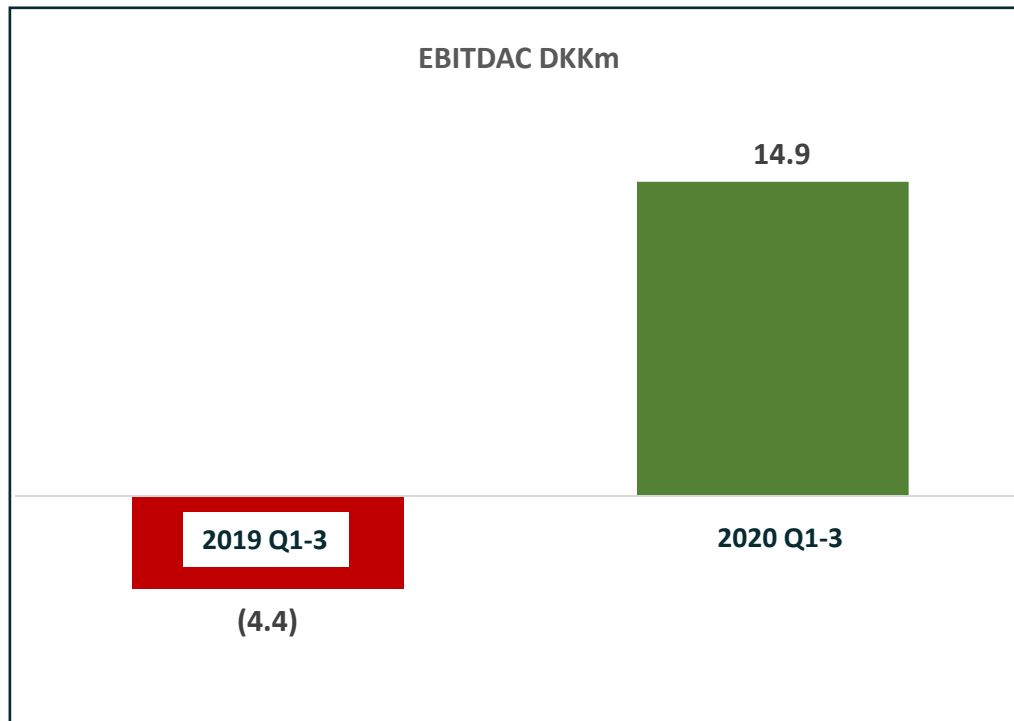
Q1-Q3 Free Cash Flow over last year demonstrates positive operating leverage and lower operating risk



# Positive EBITDAC and Earnings Continues To Exceed Prior Years



Q1-Q3 total positive earnings YoY show solid progress towards the planned longer-term profitable operation



# 2020 Outlook

# Guidance for 2020

Annual guidance for 2020 is as follows:

Guidance	
Revenue	DKK 185-205m
Gross margin	70-72%
Staff expenses & Other external costs	DKK 120-125m
Transferred to capitalized development costs	DKK 13-18m
Depreciation and amortization	DKK 20-25m

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

## Note:

- In USD **Revenue** is expected to be in the range of \$28.3-31.4M.
- With performance in the middle of the guided ranges:
  - EBITDAC would be DKK 16.0m.
  - EBIT would be DKK 8.9m.

As the current COVID-19 situation is unprecedented it causes increased uncertainty in customer demand and the Covid-19 situation can potentially have a negative impact on the outlook for 2020.



# Why Invest In Napatech?



**STABLE  
&  
GROWING**



**REVENUE,  
CASH FLOW  
&  
EARNINGS**



**EXCITING  
MARKET  
POTENTIAL**



**DELIVERING  
PRODUCT  
INNOVATION**



**WINNING  
TOP  
CUSTOMER  
BRANDS**

# Stay Connected With Napatech

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### On The Web:

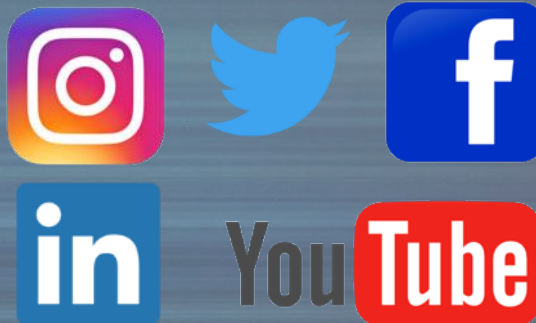


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