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RECONFIGURABLE COMPUTING

Investor Days - ABGSC

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Chief Executive Officer

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Topics

- Napatech at a Glance

- What Excites Us About Our Potential

- 2022 Outlook & Strategic Options Going Forward

- Q&A

Napatech at a Glance

- Napatech is <u>a leading developer of FPGA-based Software solutions on chips and SmartNICs/IPUs</u> and is primarily based in Copenhagen and the US

- Napatech is the <u>largest independent FPGA software provider for the SmartNIC market</u>

- Napatech has a <u>market share of 7% in the global SmartNIC vendor market</u> (excluding Amazon, Google, Microsoft)

- Napatech has <u>invested approximately 350 man years of engineering in its software technology and solution</u>, and is very well-positioned to capture market share in the new high-growth segments of the market

$31.1M 2021A Revenue (USD)	**400+** Customers over 2 years
71.8% + 27.1% 2021A Gross + EBITDA Margin, Respectively	**$3.8M** 2021A Capitalized Development Costs
7% SmartNIC Vendor Market Share	**22** Patents & Patents Pending
100 / 65 Headcount Worldwide / Engineers Based in DK	**20 Years** Deep Competency in FPGA Software Development

Top Tier Global Customers & Partners

200+ global customers with ~75% of revenue from US-based customers in 2021

| 75% of revenue from OEMs with long-term strategic relationships & multi-year product design wins	Key partnerships with technology leaders	25% of revenue from End-Users across multiple market segments for project design wins

Napatech has Emerged as the Leader in High-Performance Programmable SmartNICs.

Napatech accelerates server-based applications using the most advanced programmable IPU/DPU SmartNIC technology which it has developed over 20+ years

Napatech designs high-performance programmable SmartNICs to offload servers and accelerate applications

Napatech's software powers the SmartNICs - *the key strategic advantage*

| Cybersecurity | Monitoring | Infrastructure | Cloud & Edge | Mobile | Financial |
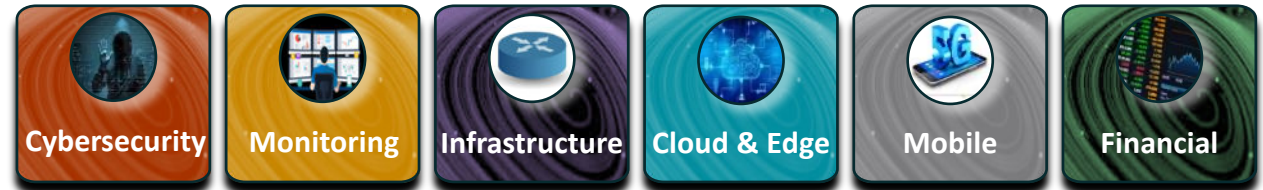
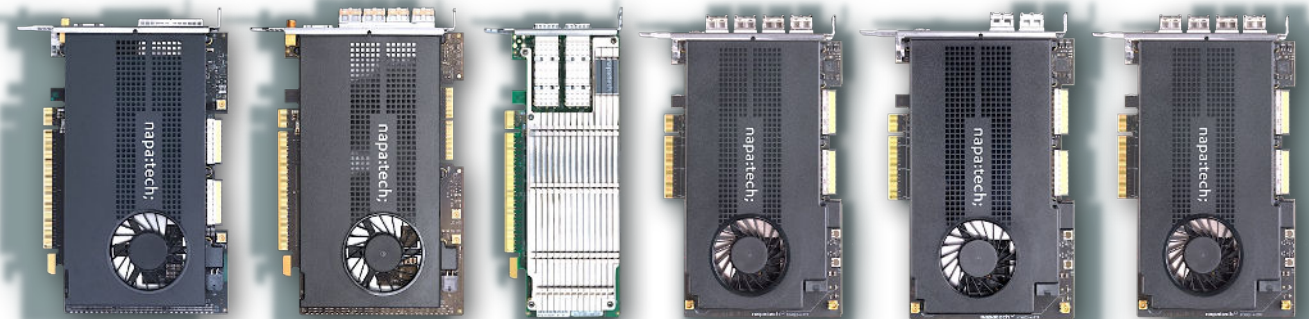Link-Capture™ Software   Link-Inline™ Software   Link-Virtualization™ Software   Link-Programmable™

Napatech's Opportunities Have Never Been More Compelling

Faster Growing SmartNIC Market

Tier-2 Cloud $531m
Telecom $685m
Hyperscale $814m
2026: $3.8B
OEM $750m
Enterprise $775m
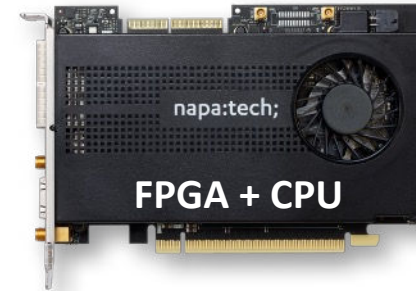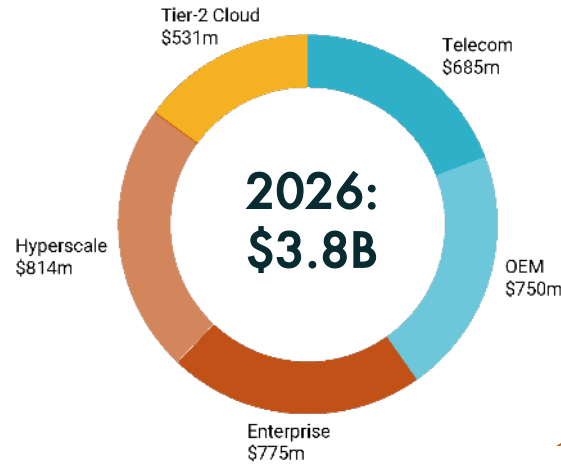
Increasing Investments in Evolving SmartNIC Technology Curve

FPGA + CPU

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Cybersecurity

Network Infrastructure

Cloud & Edge

Mobile Infrastructure

Financial Trading

Growing Access to New Design Win Opportunities

intel.
AMD XILINX
Lenovo
Hewlett Packard Enterprise
DELL

Significant Progress with Tier-1 Strategic Partnerships

NIC Market is Driven By Server Expansion

- Server Market growth: $80B in '20 to $138B by '26 (12% CAGR)
- Networks are built at massive scale to accelerate CPU-hungry applications in data centers
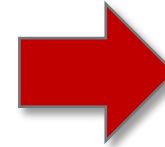
- This drives NIC and SmartNIC growth
- Servers need 2-8 NICs to increase the performance of applications


Cloudification of Everything

5G Network

AI

SDN
NFV

IoT

Software Defined Networking

Data Center   Private Cloud   Public Cloud

Key Industry Inflections Change how Networks are Built
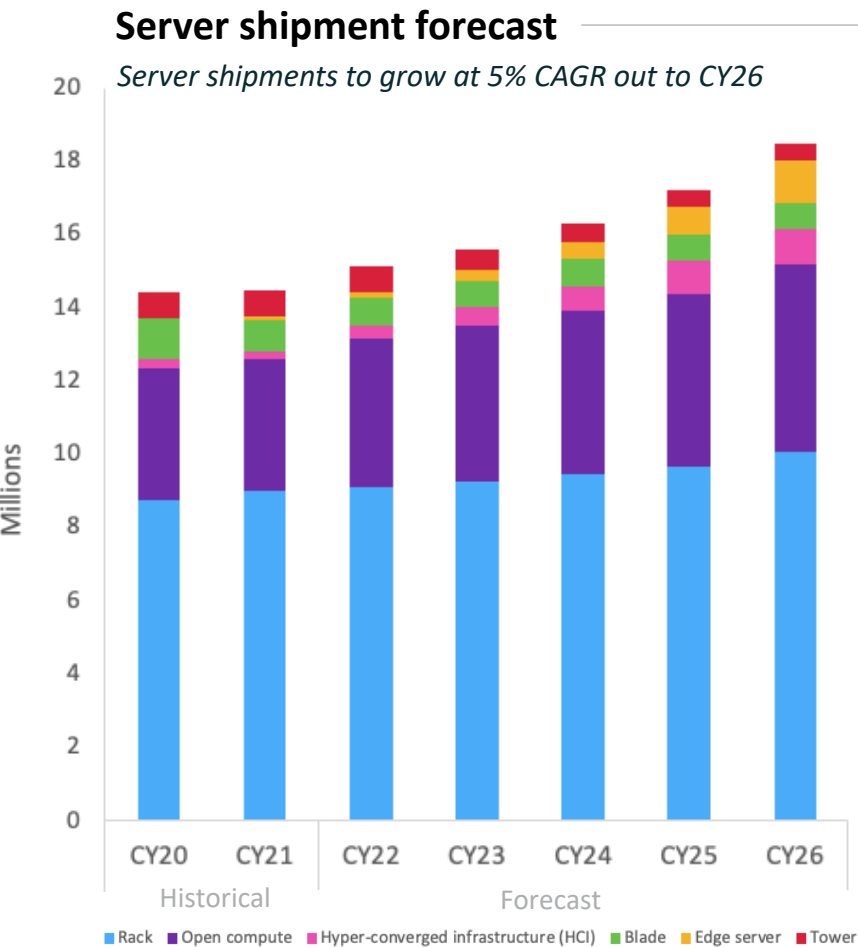
Server Market Expansion Continues

Networks Built at Massive Scale

Hardware: Low-Cost Servers & Appliances

Software: Applications & Services
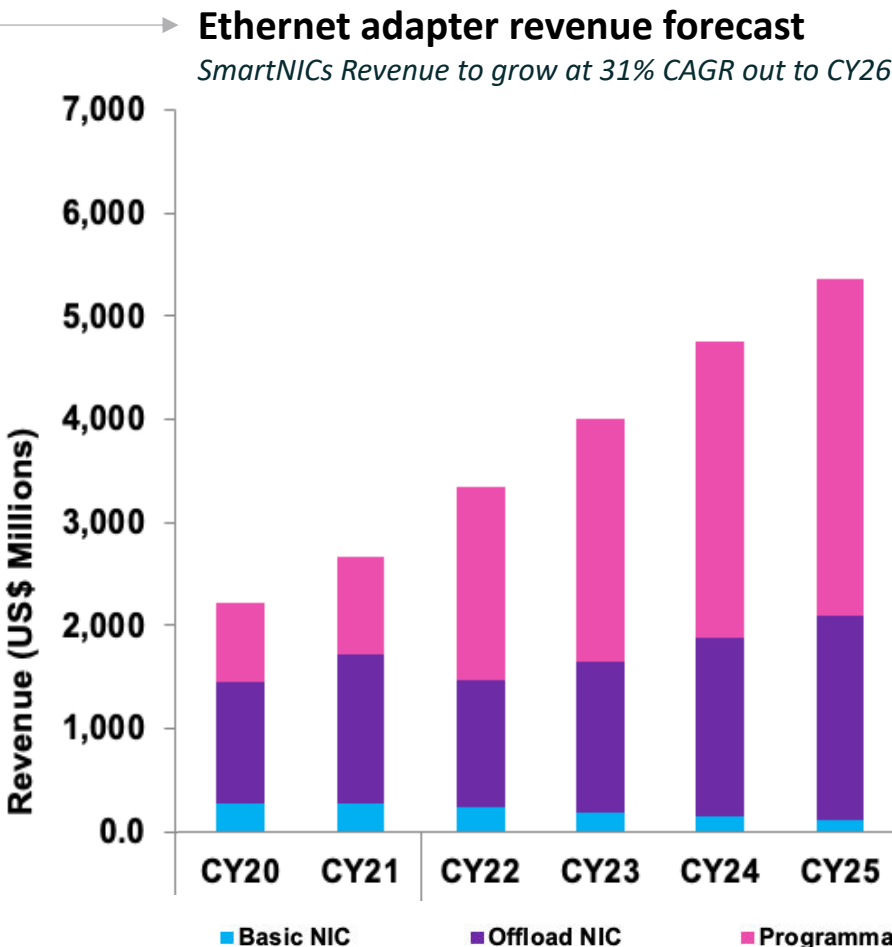
NIC Market Grows to Solve Server Connectivity
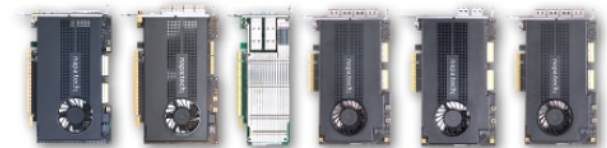
SmartNICs emerge to support advanced applications and services when standard servers can't keep up

Napatech is Addressing Highest Growth Segment of the Industry of Programmable NICs
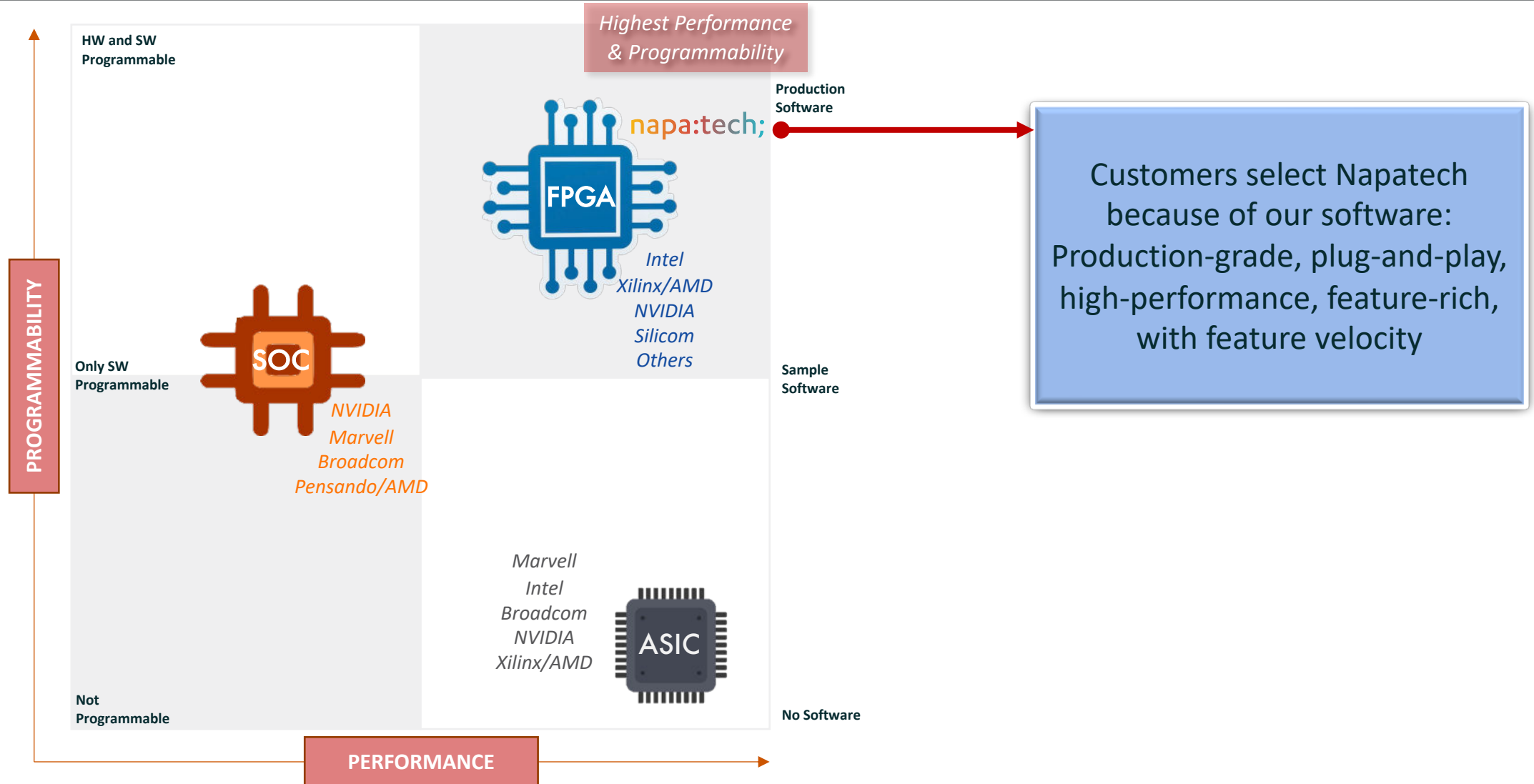
Server shipment forecast

Server shipments to grow at 5% CAGR out to CY26

Millions

| CY20 | CY21 | CY22 | CY23 | CY24 | CY25 | CY26 |

Historical — Forecast

■ Rack ■ Open compute ■ Hyper-converged infrastructure (HCI) ■ Blade ■ Edge server ■ Tower

Source: Omdia 3Q2022

Server Growth Drives SmartNIC Growth

Ethernet adapter revenue forecast

SmartNICs Revenue to grow at 31% CAGR out to CY26

Revenue (US$ Millions)

| CY20 | CY21 | CY22 | CY23 | CY24 | CY25 | CY26 |

■ Basic NIC ■ Offload NIC ■ Programmable NIC

Source: Omdia 3Q2022

Market Share EoY'21

SmartNICs - Vendors Only *	Share
Marvell	43.4%
Xilinx	11.3%
Intel	8.7%
Broadcom	7.9%
Napatech	7.3%
Silicom	5.4%
NVIDIA	3.0%
Other	12.8%

Excludes MSFT, AMZN

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Napatech is Well Positioned Amongst Market Players

PROGRAMMABILITY

HW and SW Programmable

Only SW Programmable

Not Programmable

Highest Performance & Programmability

Production Software

Sample Software

No Software

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FPGA

*Intel
Xilinx/AMD
NVIDIA
Silicom
Others*

SOC

*NVIDIA
Marvell
Broadcom
Pensando/AMD*

*Marvell
Intel
Broadcom
NVIDIA
Xilinx/AMD*

ASIC

PERFORMANCE

Customers select Napatech because of our software: Production-grade, plug-and-play, high-performance, feature-rich, with feature velocity

Napatech's Never Been in a More Strategically Important Position

Napatech has been intensively focused on driving long-term value with highly-innovative FPGA-based SmartNICs and Software

2023-2026
"Lift-Off"
Growth From New Revenue Streams

2022
Expanding Partnerships and Building Commercial Success

2021
Execute "Go Big" Strategy

• Invest in 20+ New Engineers

• Land Big Leading Partnerships to Expand Market Reach

• Expanded software solutions to support leading apps and services

Lenovo

Lenovo design with for complete HW and SW solutions in APAC telco and cloud markets

5G

Launched 5G UPF Effort with multiple SP facing partnership coalition

AMD

Announced AMD partnership to joint market and sell Napatech Xilinx-based SmartNICs and SW to AMD customer base

XILINX

(intel)

Engaged IPU Strategy for Next Gen Intel-based SmartNIC design, and port SW

NEW DESIGN WIN **(intel)**

New Design Win with Leading Networking/ Security Firm on Newest Intel-Based FPGA SmartNIC

• Expand to high-growth market segments

• Software focused on larger-scale market opportunities in 5G, Tier-2 Cloud and Enterprise

• More commercial progress in New Design Wins and Partnerships

Lenovo OEM Design Win Partnership Launched to Expand APAC Service Provider Access

- Joint Product Development
- Focused on Virtualization Solution
- Delivering improved Data Center performance for 5G telecom and Cloud SP's
- Lenovo branded
- Napatech designed

The 5G Era is Changing Everything in Telecom Infrastructure

- 5G is a massive business challenge for all telcos

- Major capital investments in new spectrum and infrastructure

- Minimal increase in ARPU, and challenged ROI

- Reducing cost-per-subscriber for infrastructure enables significant improvements in telco ROI for their 5G deployments

- UPF is high leverage because it represents a significant part of the overall workload within the packet core.

- For virtual UPF, we believe the market opportunity is 50,000 SmartNICs per year with a TAM of $75M per year

Napatech software investments enable our family of SmartNICs to offload and accelerate User Plan Function in 5G Packet core networks

AMD/Xilinx Partnership is Starting to Generate Sales Leads

- Launched September 2022

- Sales and marketing collaboration agreement

- AMD direct & channel sales activated for Napatech solutions

- Targeted accounts in all global geos and customer types

- Early mileposts being hit for engagements and meetings

- Targeting 2H23-2024 design wins and revenue

Napatech Extends Collaboration with AMD to Data Center Networking with FPGA-based SmartNIC Solutions

COPENHAGEN, Denmark — Sept. 1, 2022 — Napatech™ (OSLO: NAPA.OL), the leading provider of programmable Smart Network Interface Cards (SmartNICs) used for Data Processing Unit (DPU) and Infrastructure Processing Unit (IPU) services in telecom, cloud, enterprise, cybersecurity and financial applications worldwide, today announced an extension of its sales and marketing collaboration initiatives with AMD that will make Napatech's hardware-plus-software SmartNIC solutions available to AMD customers worldwide through both direct engagements and global channel partners.

Click to Tweet: @Napatech and @AMD Extend Collaboration for Data Center Networking with #FPGA-based #SmartNIC Solutions: https://www.napatech.com/

OEMs, enterprises and data center operators across a wide range of industries are adopting SmartNIC solutions to achieve levels of performance, security, latency and energy efficiency that are unachievable with servers or appliances equipped with traditional "foundational" NICs. As the leading provider of field programmable gate array (FPGA)-based SmartNICs, Napatech leverages the extensive portfolio of AMD Xilinx FPGAs, in combination with its own commercial-grade software suites, to accelerate and offload a variety of workloads in cybersecurity, financial systems, mobile infrastructure, data centers, network appliances and monitoring solutions.

Many companies that can benefit from Napatech's SmartNIC solutions are already customers of the extensive AMD processor portfolio, leveraging EPYC™ processors in servers or Ryzen™ processors in workstations. The expanded collaboration between AMD and Napatech is designed to enable AMD experts and channel partners to propose and architect end-to-end solutions for these companies, spanning their network infrastructure as well as their processor subsystem. Fine-tuning the balance of workloads between the processor and the SmartNIC through true system-level design results in optimized performance, system cost and energy efficiency for the target applications.

End-users who adopt Napatech's SmartNIC solutions benefit from a true "IT" experience, whereby they simply install a card, load a driver, and achieve seamless acceleration of common applications, both commercial and open source, with no need for custom programming at either the application or FPGA level.

Evolutionary Step for SmartNICs is the IPU
Napatech and Intel Partnership
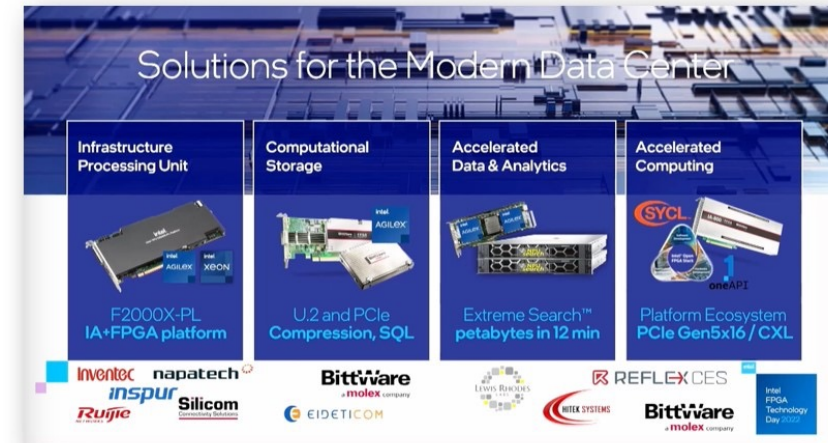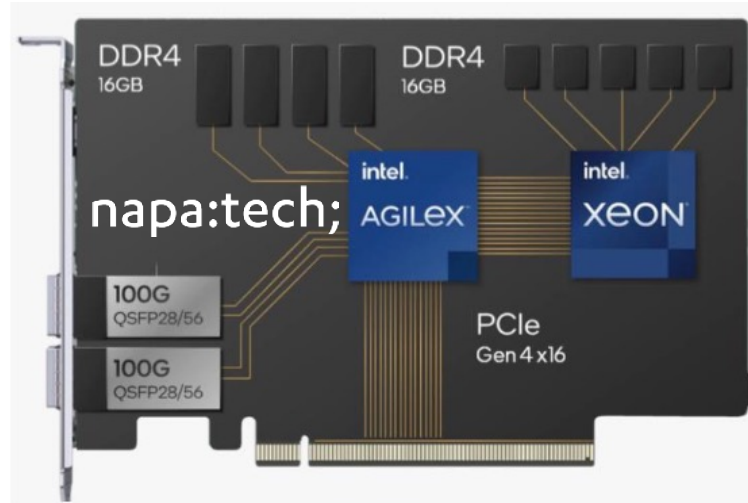
- Programmable NICs evolve to include both SmartNICs and IPUs

- IPUs build upon SmartNICs, adding general purpose CPU cores

- Unlocks new customers, applications and use cases

- Napatech and Intel partner to deliver market-leading IPU design

- Napatech software solutions powers IPUs

Landmark Win On Track for Significant 2023+ Revenue Growth

- Customer: a multi-billion dollar global leader in network and security solutions selling its solutions to the world's largest enterprises, financial institutions, service providers and governments
- Napatech delivering it's newest Intel FPGA-based SmartNIC solution
- Potential full-year revenues expected to be around $10M
- On-track to deliver solution in 1H'23

BUSINESS GROWTH

We will announce more when we are permitted

Industry Insiders Take Notice

![LightReading]

Tiny Napatech starts FPGA assault on Nvidia in 5G core

News Analysis

IAIN MORRIS,
International
Editor

11/2/2022

Field programmable gate arrays, or FPGAs, gained a bad reputation in 2019 when they were identified as a cause of Nokia's 5G woes. Let down by Intel on the supply of 5G chips, the Finnish vendor had fallen back on FPGAs from Xilinx to plug the hole. Alongside rivals using customized silicon, Nokia suddenly had a cost and competitiveness problem. Ever since, it has been working to phase them out.

That product uses FPGAs to run the 5G user plane function (UPF), a part of the 5G packet core responsible for the inspection, forwarding and routing of traffic. In modern-day 5G networks, the UPF can be hosted just about anywhere – in an edge data center, collocated with the radio access network (RAN) or even within a public cloud. But it tends to gobble up server resources. Napatech's solution involves bypassing the server processor and instead running the UPF on a SmartNIC (essentially, a network interface card with added cleverness).

Light Reading Article Found Here

Strategic Process Update

- Napatech is well positioned amongst others within this market with its FPGA-based SmartNIC HW and SW solution.

- Napatech has had inbound interest from several large players within our market domain.

- Napatech's Board announced in Q3 that we initiated a strategic review to consider options to capitalize on the large opportunities in front of us.

- Napatech's Board views that we need to either be a part of a larger company or have even stronger strategic partnerships to secure a quicker ramp of our newest technology and features.

- Napatech has experienced more interest that expected and have several alternatives that the Board is focusing on.

- The alternatives that we are working on will increase the value of the company substantially, but more importantly, will help secure strong commercial success going forward.

- We expect to make progress with this strategic process and will provide more details anytime soon.
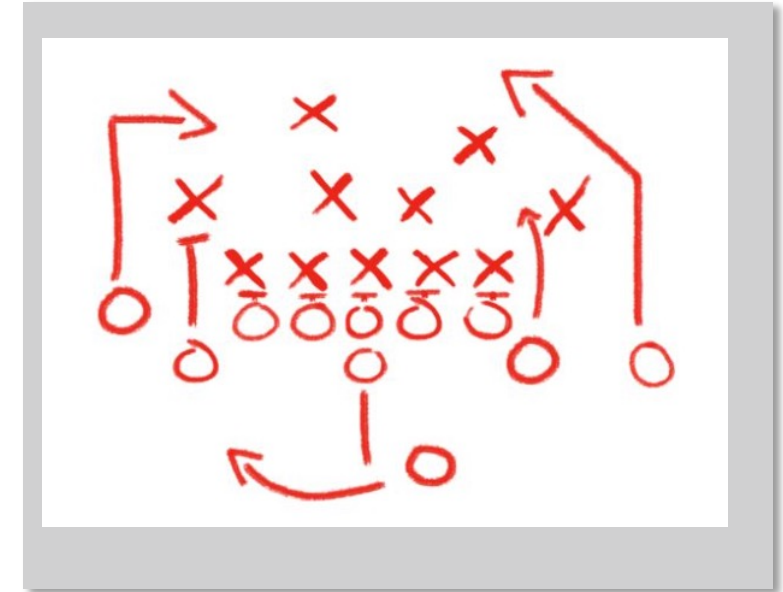
Annual Guidance for 2022 Updated

Guidance	Previous	Updated
Revenue	DKK 195-220m	DKK 170-200m
Gross margin	69-71%	57-61%
Staff expenses & Other external costs	DKK 145-155m	DKK 140-150m
Transferred to capitalized development costs	DKK 28-33m	DKK 25-27m
Depreciation, amortization and impairment	DKK 23-28m	DKK 23-28m

Key Highlights

- Market conditions have affected our 2022 revenue growth as we revise revenue guidance downward by 13%.

- Gross Margins are affected by abnormally higher costs of a specialized component due to the global supply chain shortages, and a shift in revenue mix due to lower revenues from enterprise end-user customers. We see early signs of stabilization for 2023.

- We are managing staffing and other expenses carefully.

- 2023 is expected to grow significantly over 2022.

Key Investment Highlights

Growing Market.
The Programmable NIC market is rapidly expanding driven by heightened compute requirements needed for cloud, enterprise and telco datacenters.

Robust IP Portfolio.
22 patents & patents-pending provides high barrier-to-entry for competitors

Superior Performance.
Unparalleled expertise improving speed and efficiency, resulting in 40x app performance from 1 to 400+ Gbps while also maintaining cost-efficient solutions

Strong Financial Track Record.
Strong foundation of $30M+ in revenue and 70%+ gross margins, with considerable opportunities to rapidly increase growth

Agility.
Unique mix of hardware and software, providing programmable HW performance at the speed of software innovation

Seasoned Team.
R&D team in Denmark, with unparalleled expertise and decades of research in accelerating compute-intensive applications on servers

Stay Connected With Napatech
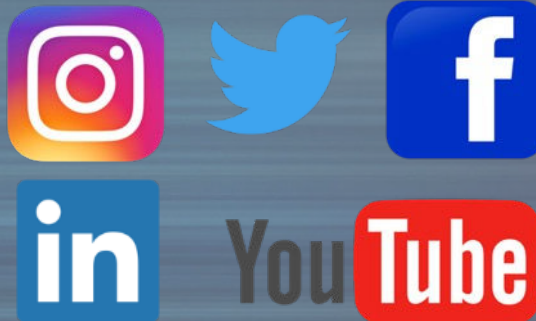
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