

# NAPATECH 1<sup>ST</sup> QUARTER 2025 INTERIM MANAGEMENT STATEMENT

### **MANAGEMENT'S REPORT**

We have made considerable strides in meeting important mileposts of our strategic plan that strengthen our position as an early leader in the new and evolving mass market for advanced NICs. This includes both improving our core business and making measurable progress towards our design win goals that underpins our growth aspirations. This has gone according to plan, and in some areas ahead of our expectations. When we compare our place to just one year ago, we find ourselves in a much stronger position, with high-volume design wins, and a closeness to new opportunities. Combined this increases our visibility into the timing and scale of our transformation.

Our first quarter financial results include revenue of \$3.4M US dollars, an increase of 8% over the first quarter of 2024, with a healthy gross margin of 70.3%, as expected and within our guidance. We also have visibility into 2Q 2025, and we are pleased to see that it is trending toward an increase of 40-50% over 2Q 2024.

One year ago, we announced a design win with a tier-1 server OEM to build a next generation solution to their specification for high volume use cases, as well as the general market. I am glad to report that we have consistently met the hardware mileposts ahead of plan and exceeded expectations. We are intimately involved in the next stage of their process, which includes the development and integration of key software to meet their use-case requirements. We are excited that our efforts to date have resulted in expanding our cooperation into 6 use cases and opportunities, all of which represent potentially transformational unit volumes to Napatech.

We are equally excited to share more information about our latest high-volume design win, with d-Matrix, a leader in Artificial Intelligence inferencing for hyperscale cloud, next-wave cloud, and enterprise datacenters. Our Intel-Altra programmable NIC enables provides the AI infrastructure that enables d-Matrix to deliver blazing fast AI inference speeds, all at massive scale.

We've also recently disclosed other winning solutions across an array of applications and services by leading companies in their respective vertical markets, including a cyber security solution with Broadcom Symantec, a Network and Server Infrastructure solution with Eideticom, and an Artificial Intelligence solution with Xelera for ultra-low latency transitions in financial services markets. These are all examples of Napatech expanding its business to large or high-growth segments that require our advanced NICs.

We are inspired by these early success that are far ahead of the pace we could have envisioned one year ago. Additionally, new companies with applications and use cases are emerging regularly, expanding our pipeline of opportunities. Our partnership with Intel-Altera continues to exceed our expectations and play a critical role in our strategy and success.

We began 2025 clear in our vision, focused on our goals, and confident in our plans to achieve them. There are undeniable signs that programmable network interface cards are changing the way modern datacenters are designed. The early adopters have already decided, and many of them have standardized on the Intel-Altera architecture. The mass market is emerging in their wake. We know that it takes time to secure new design wins and move them from ideas to production within our customers. We know how advantageous our starting position is from our own long history, combined with the trajectory-boost provided by our partnership with Intel-Altera. As each new segment of the mass market unfolds, Napatech has made investments in people, products and partnerships to be in the best position to capitalize on this new demand.

On behalf of Napatech we thank you for your interest in our business and hope you share our enthusiasm about our future.

Best regards,

Lars Boilesen Chief Executive Officer

### Highlights Q1:

- Revenue in USD amounted to 3.4m in Q1 2025, an increase of 8% compared to Q1 2024. In DKK, revenue amounted to DKK 23.8m in Q1 2025, an increase of 11% compared to Q1 2024.
- The gross margin in Q1 2025 was 70%, a decline of 2%-points compared to Q1 2024.
- Staff costs and Other external costs in Q1 2025 amounted to DKK 48.9m compared to DKK 40.6m in Q1 2024.
- EBITDAC<sup>1</sup> in Q1 2025 amounted to negative DKK 32.1m compared to negative DKK 25.2m in Q1 2024.
- EBITDA in Q1 2025 amounted to negative DKK 29.1m compared to negative DKK 24.3m in Q1 2024.
- Depreciation, amortization, and impairment for Q1 2025 were DKK 6.5m compared to DKK 7.9m in Q1 2024.
- Net Cash flow from operating activities in Q1 2025 was negative DKK 25.7m compared to negative DKK 5.4m in Q1 2024.
- Net cash used in investing activities in Q1 2025 amounted to DKK 3.7m compared to DKK 1.0m in Q1 2024.

### Key figures<sup>2</sup>:

	Q1 2025	Q1 2024
Revenue USD m	3.4	3.1
Growth YoY USD m	8%	-41%
Revenue DKK m	23.8	21.5
Growth YoY DKK m	11%	-42%
Gross Margin	70%	72%
EBITDAC DKK m	-32.1	-25.2
EBITDA DKK m	-29.1	-24.3
Net Cash Flow from Operating Activities DKK m	-25.7	-5.4
Net Working Capital, end of period DKK m	97.2	48.8
Cash and cash equivalents, end of period DKK m	34.6	27.5

#### This is Napatech

Napatech is a Danish tech company developing high-performance, programmable network interface cards and software for programmable NICs. The Napatech software suite ensures broad compatibility and seamless integration for our family of FPGA-based SmartNICs. With support for all major systems and a common API that easily integrates with custom-developed, open source, or commercial applications, we enable significantly reduced time-to-market for new products.

Additional information is available at <u>www.napatech.com\investor</u>.

<sup>&</sup>lt;sup>1</sup> EBITDAC: Earnings before depreciation, amortization and impairment, and cost transferred to development projects

<sup>&</sup>lt;sup>2</sup> Definitions: Gross Margin is calculated as 'Gross Profit' / 'Revenue'; EBITDAC is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization' before staff costs transferred to capitalized development costs; EBITDA is calculated as 'Earnings Before Interest, Taxes, Depreciation and Amortization'; Net working capital represents the value of inventories, trade receivables and other current operating assets less trade payables and other current operating liabilities. Cash and cash equivalents and income tax receivable or payable are not part of the net working capital; Cash flows from operating activities are profit or loss before tax added or deducted changes in the net working capital, added or deducted changes in provisions and added the yearly depreciation and amortization; Free cash flow is net cash flow from operating activities added or deducted investing activities.

### **Revenue and Gross Margin**

#### Q1

Napatech reports revenue of DKK 23.8m in Q1 2025 compared to DKK 21.5m in the same period in 2024, equivalent to an increase of 11%. In USD, revenue was up 8% compared to Q1 2024.

The gross margin in Q1 2025 was 70% compared to 72% in Q1 2024.

### Costs

### Q1

Staff costs and Other external costs in Q1 2025 amounted to DKK 48.9m, compared to DKK 40.6m in Q1 2024.

Operating expenses after transfer of staff costs to capitalized development costs in Q1 2025 amounted to DKK 45.8m, compared to DKK 39.7m in Q1 2024.

### EBITDAC and EBITDA

### Q1

EBITDAC amounted to negative DKK 32.1m in Q1 2025 compared to negative DKK 25.2m in Q1 2024.

EBITDA in Q1 2025 was negative DKK 29.1m compared to negative DKK 24.3m in Q1 2024.

### Depreciation, amortization, and impairment

### Q1

Depreciation, amortization, and impairment in Q1 2025 were DKK 6.5m compared to DKK 7.9m in Q1 2024.

#### **Financial Items**

#### Q1

Financial items for Q1 2025 are negative DKK 1.3m compared to positive DKK 0.1m in Q1 2024.

### Taxes

### Q1

Taxes for Q1 2025 amounted to an income of DKK 0.0m compared to a cost of DKK 0.0m in Q1 2024.

### Investments

### Q1

Total net cash used in investing activities in Q1 2025 was DKK 3.7m, of which DKK 3.4m were related to new product development. In Q1 2024 total net cash used in investing activities was DKK 1.0m, of which DKK 1.0m was related to new product development.

#### **Cash Flow**

#### Q1

Net cash flow from operating activities in Q1 2025 was negative DKK 25.7m compared to negative DKK 5.4m in Q1 2024.

Free cash flow in the quarter amounted to negative DKK 29.4m compared to negative DKK 6.4m in Q1 2024.

Net cash from financing activities in Q1 2025 was positive DKK 0.5m, compared to negative DKK 8.4m in Q1 2024.

### Outlook for 2025

The 2025 guidance remains unchanged:

	Guidance
Revenue	DKK 150 - 190m
Gross margin	69 - 71%
Staff expenses & Other external costs	DKK 170 - 180m
Staff costs transferred to capitalized development costs	DKK 8 - 12m

With performance in the middle of the guided ranges, EBITDA would be negative DKK 46m.

The company is exposed to risks that might affect our ability to reach our goals, such as currency fluctuations, general market uncertainty, and material changes in our large OEMs' needs for Napatech's products.

#### Disclaimer:

This report may contain statements regarding the future in connection with Napatech growth initiatives, profit figures, outlook, strategies, and objectives. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

### INCOME STATEMENT For the period ended March 31, 2025

		1st quarter	
DKK'000	2025	2024	
Revenue	23,849	21,542	
Cost of goods sold	(7,078)	(6,112)	
Gross profit	16,771	15,430	
Other operating income	-	-	
Staff costs	(35,059)	(27,758)	
Other external costs	(13,846)	(12,836)	
EBITDAC	(32,134)	(25,164)	
Transferred to capitalized development costs	3,083	849	
EBITDA	(29,051)	(24,315)	
Depreciation, amortization and impairment	(6,457)	(7,944)	
Operating result (EBIT)	(35,508)	(32,259)	
Finance income	27	833	
Finance costs	(1,334)	(757)	
Result before tax	(36,815)	(32,183)	
Income tax	6	(2)	
Result for the period	(36,809)	(32,185)	

### CASH FLOW STATEMENT

For the period ended March 31, 2025

	1st qua	rter
DKK'000	2025	2024
Operating activities		(00, 100)
Income/Loss before tax	(36,815)	(32,183)
Adjustments to reconcile profit before tax to net cash flows		
Finance income	(27)	(833)
Finance costs	1,334	757
Depreciation, amortisation and impairment	6,457	7,944
Share-based payment expense	2,766	2,014
Working capital adjustments		
Change in inventories	(5,009)	(17,345)
Change in trade and other receivables and prepayments	2,528	26,656
Change in trade and other payables and contract liabilities	3,564	7,911
Interest received	27	65
Interest paid	(499)	(423)
Income tax received, net	-	(1)
Net cash flows from operating activities	(25,674)	(5,438)
Investing activities		
Purchase of tangible assets	(307)	-
Investments in intangible assets	(3,439)	(1,009)
Net cash used in investing activities	(3,746)	(1,009)
	(00, (00)	(0.447)
Free cash flow	(29,420)	(6,447)
Financing activities		
Capital increase	300	120
Increase (decrease) through treasury share transactions	-	1,491
Payment of financial lease liabilities	(909)	(873)
Proceeds from borrowings	1,144	-
Repayment of borrowings	-	(9,172)
Net cash flows from financing activities	535	(8,434)
Net change in cash and cash equivalents	(28,885)	(14,881)
Net foreign exchange difference	(858)	32
Cash and cash equivalents at the beginning of the period	64,341	42,367
Cash and cash equivalents at the end of the period	34,598	27,518

### **BALANCE SHEET**

ASSETS			
	31 Mar.	31 Dec.	31 Mar.
DKK'000	2025	2024	2024
Development projects, completed	14,876	19,764	30,569
Development projects, in progress	7,708	4,269	3,235
Patents	947	1,042	1,567
Intangible assets	23,531	25,075	35,371
Plant and equipment	4,447	4,765	3,500
Right-of-use assets	8,385	9,200	7,066
Leasehold improvements	406	441	259
Tangible assets	13,238	14,406	10,825
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Leasehold deposits	1,587	1,587	1,541
Other non-current assets	1,587	1,587	1,541
Non-current assets	38,356	41,068	47,737
Inventories	74,885	69,876	52,917
Trade receivables	14,549	19,381	14,241
Prepayments	4,704	5,153	2,507
Other receivables	26,118	23,762	13,317
Income tax receivable	6,316	6,345	5,895
Cash and cash equivalents	34,598	64,341	27,518
Current assets	161,170	188,858	116,395
Total assets	199,526	229,926	164,132

### **BALANCE SHEET**

### EQUITY AND LIABILITIES

DKK'000	31 Mar. 2025	31 Dec. 2024	31 Mar. 2024
	2025	2024	2024
Share capital	25,013	24,999	22,571
Share premium	483,599	483,062	343,255
Treasury shares	(619)	(619)	(619)
Foreign currency translation reserve	20	553	(7)
Share-based payment reserve	21,420	18,946	12,482
Retained earnings	(410,285)	(373,518)	(294,455)
Equity	119,148	153,423	83,227
Interest-bearing loans and borrowings	6,382	6,806	8,601
Other non-current financial liabilities	4,540	4,540	4,433
Non-current lease liabilities	5,619	6,406	4,035
Non-current contract liabilities	1,764	1,550	3,153
Non-current liabilities	18,305	19,302	20,222
Interest-bearing loans and borrowings	37,666	36,098	26,332
Current lease liabilities	3,123	3,124	3,285
Trade payables	7,337	5,789	10,243
Other payables	10,706	8,953	14,063
Contract liabilities	3,241	3,237	6,760
Current liabilities	62,073	57,201	60,683
Total liabilities	80,378	76,503	80,905
Total equity and liabilities	199,526	229,926	164,132

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## Napatech A/S

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