

Napatech

Reason: Post-results comment

Building value, another good quarter

- High gross margin and lower costs drive strong Q2
- EBIT up 9% and 3% for '21-'22e due to better margins
- Solid foundation is built, further opportunities exists

Q2: +20% sales growth, and higher earnings margins

Napatech continued on its positive trajectory in H1'20e. Sales were 4% better than ABGSCe and up 23% y-o-y (+25% for H1'20 as a whole). The Q2 gross margin was strong at 75.2%, and 5pp better than expected.

This was driven by favourable product and customer mix, but the company continues to expect a 70% margin over the long term. Costs were lower than expected, so EBITDA before capitalised expenses came in at NOK 9m vs. ABGSCe at NOK 1m. The estimate beat was driven equally by a higher gross profit and a lower opex.

Positive estimate revisions driven by higher margins

We hike our EBIT for '21e and '22e by 9% and 3% due to ~50bps higher gross margin and slightly higher revenue (+1%). Overall, it seems Napatech is building a solid financial foundation for the business. In the medium term, it likely needs to successfully expand into new areas such as virtualisation in order to sustain (or accelerate) growth. This remains unproven, but as we have previously highlighted, the market opportunity is likely to be significant (+USD 1bn). This is not going to materialise in H2'20 (on revenue) and Napatech kept its FY'20e revenue guidance unchanged post-Q2 (unchanged in DKK, slightly up in USD). We see this as cautious. The guidance at mid-point implies only 5% growth in H2 (vs 25% in H1). We see this as cautious as well, thus our H2 sales estimate is 10% above Napatech's mid-point guidance.

Solid potential with extra triggers

Napatech trades at 12x EV/EBIT '22e, in line with international peers. However, Napatech is growing at +20% while its peers are expected (FactSet consensus) to see an avg. 1% growth in 2020e. We see the company as solid and more concrete news around virtualisation design wins would be a major trigger for estimates in the next six to nine months.

Lead analyst: Aksel Øverland Engebakken
Øystein Elton Lodgaard
Eirik Thune Øritsland

DKKm	2018	2019	2020e	2021e	2022e
Sales	171	171	205	250	313
EBITDA	97	15	36	45	69
EBITDA margin (%)	57.1	9.0	17.4	18.0	22.2
EBIT adj	10	-10	12	19	38
EBIT adj margin (%)	5.8	-5.9	5.6	7.5	12.2
Pretax profit	-14	-14	10	18	37
EPS rep	0	-0.16	0.10	0.17	0.35
EPS adj	0	-0.16	0.10	0.17	0.35
Sales growth (%)	60.7	0.0	20.1	22.2	25.0
EPS growth (%)	na	high	158.6	74.4	109.6

Source: ABG Sundal Collier, Company data

Company sponsored research

Not rated

Estimate changes (%)	2020e	2021e	2022e
Sales	1.0%	1.0%	1.0%
EBIT (rep)	1,209.2%	8.8%	2.7%
EPS (rep)	1,357.5%	12.2%	4.1%

Source: ABG Sundal Collier

Share price (NOK)	13/08/2020	8.5
IT, Denmark		
NAPAT.OL/NAPA NO		
MCap (NOKm)		706
MCap (EURm)		67.1
Net debt (EURm)		-3
No. of shares (m)		83.1
Free float (%)		100.0
Av. daily volume (k)		7.5

Next event Q3 report: 27 Oct

Performance



	1m	3m	12m
Absolute (%)	33.4	127.4	510.7
OMX CPGN PI (%)	3.7	13.7	27.5

Source: FactSet

	2020e	2021e	2022e
P/E (x)	62.7	36.0	17.2
P/E adj (x)	62.7	36.0	17.2
P/BVPS (x)	5.61	4.68	3.46
EV/EBITDA (x)	13.4	10.4	6.4
EV/EBIT adj (x)	41.5	24.8	11.6
EV/sales (x)	2.33	1.87	1.41
ROE adj (%)	9.5	14.2	23.2
Dividend yield (%)	0	0	0
FCF yield (%)	-0.1	1.9	5.3
Lease adj. FCF yld (%)	-0.6	1.6	5.0
Net IB debt/EBITDA	-0.6	-0.7	-0.8
Lease adj. ND/EBITDA	-1.0	-0.9	-1.0

Please refer to important disclosures at the end of this report

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

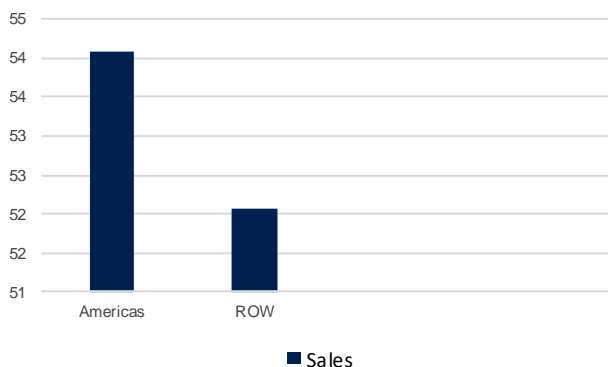
Opportunities

Napatech is positioned in a global market where we expect to see double-digit demand growth for the foreseeable future. If the company can grow with the market over time, we assess that it could potentially scale its operating margin significantly, towards 20%.

Risks

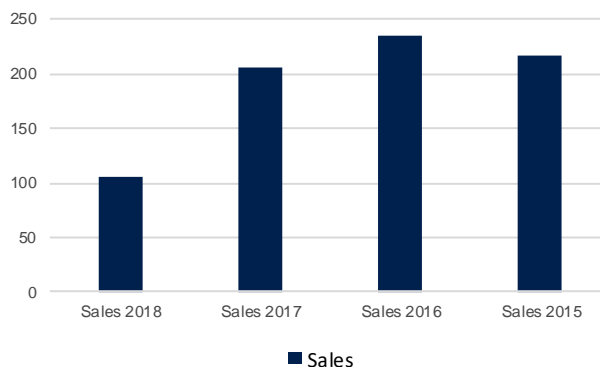
Napatech is a small company (<100 employees), which faces major global competition. It is uncertain whether Napatech will be able to grow with the market. Also, Napatech needs to ramp-up and establish new market verticals in order to achieve double-digit growth over time, and its ability to achieve this is uncertain.

Geographical breakdown, sales, DKKm



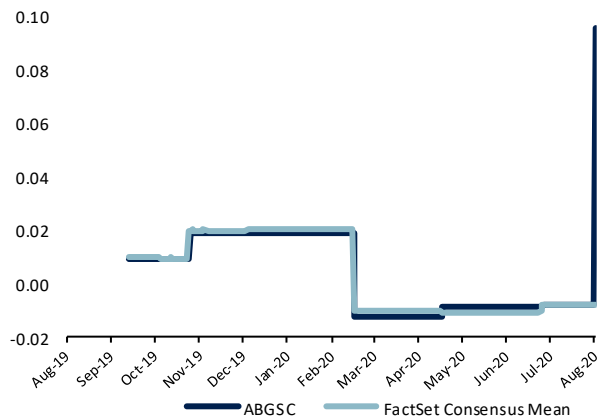
Source: ABG Sundal Collier, Company data

Business area breakdown, sales, DKKm



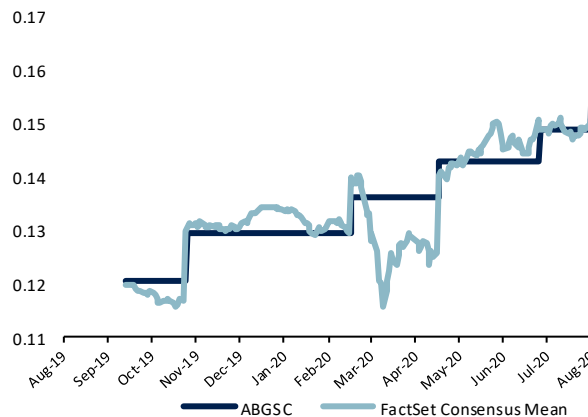
Source: ABG Sundal Collier, Company data

EPS estimate changes, 2020e, DKK



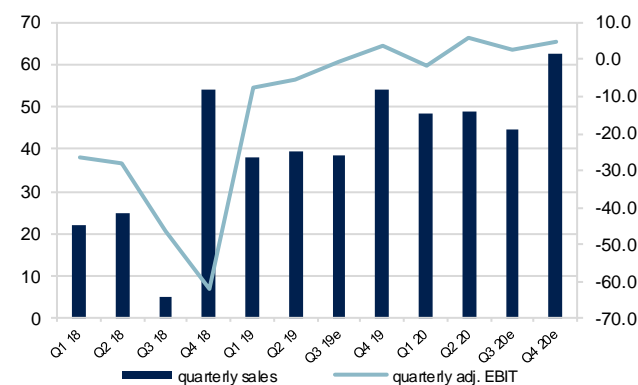
Source: ABG Sundal Collier, FactSet

EPS estimate changes, 2021e, DKK



Source: ABG Sundal Collier, FactSet

Quarterly sales and adj. EBIT, DKKm



Source: ABG Sundal Collier, Company data

Company description

Napatech is a tech company that develops and markets smart network adaptors and related solutions (both software and hardware). It sells primarily to large global OEMs (+140 customers), which then sell to end-users. The end-users of Napatech solutions are typically large firms within sectors such as telecommunications, financial services, and governments.

Estimates

P&L (DKKm)	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20e	Q4'20e	Q1'21e	2016	2017	2018	2019	2020e	2021e	2022e
Sales	40	39	54	49	49	45	63	57	206	106	171	171	205	250	313
Gross profit	29	32	40	33	37	32	45	40	139	49	127	127	147	178	221
Personnel	-24	-24	-27	-26	-24	-25	-28	-31	na	-113	-113	-99	-103	-124	-141
Other opex	-7	-5	-7	-7	-3	-4	-12	-4	na	-54	-46	-27	-26	-35	-42
EBITDA	1	5	10	4	12	8	12	10	14	-75	15	15	36	45	69
Depreciation	-6	-6	-7	-6	-6	-6	-7	-6	-38	-108	-25	-25	-24	-26	-31
EBIT	-5	-1	4	-2	6	2	5	4	-24	-183	-10	-10	12	19	38
Pre tax	-6	0	0	-2	5	2	5	4	-30	-192	-14	-14	10	18	37
Net profit	-6	0	2	-2	4	2	4	3	-24	-179	-14	-14	8	14	29

Growth and margin	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20e	Q4'20e	Q1'21e	2016	2017	2018	2019	2020e	2021e	2022e
Margin															
Gross margin	73%	82%	74%	69%	75%	71%	72%	70%	68%	46%	75%	75%	72%	71%	71%
EBITDA margin	3%	13%	19%	8%	24%	18%	19%	17%	7%	-71%	9%	9%	17%	18%	22%
EBIT margin	-13%	-2%	7%	-4%	12%	6%	8%	7%	-12%	-172%	-6%	-6%	6%	8%	12%
EBITDA - capex margin	-5%	3%	9%	-1%	18%	7%	8%	7%	-19%	-104%	0%	0%	8%	8%	12%
Growth															
Sales growth	60%	654%	0%	27%	23%	16%	16%	18%	-12%	-48%	61%	0%	20%	22%	25%
opex growth	-17%	-5%	-8%	20%	-1%	-10%	11%	-10%	16%	14%	14%	24%	0%	0%	0%
(opex + capex) growth	-30%	-14%	-10%	7%	-10%	-5%	14%	7%	14%	16%	16%	24%	0%	0%	0%

Cash flow (DKKm)	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20e	Q4'20e	Q1'21e	2016	2017	2018	2019	2020e	2021e	2022e
+ EBITDA	1	5	10	4	12	8	12	10	14	-75	15	15	36	45	69
+ CAPEX	-3	-4	-5	-4	-3	-5	-7	-6	-53	-36	-16	-16	-19	-26	-31
= EBITDA - capex	-2	1	5	0	9	3	5	4	-39	-111	0	0	17	19	38
+ other effects	6	-5	5	-1	3	-9	-10	3	1	27	-9	11	-17	-10	-12
= FCF tot. total capital	4	-4	10	-1	12	-6	-5	7	-38	-84	-9	11	0	9	26
+ debt cash flow	-6	-3	0	-1	-6	-1	-1	0	0	0	0	-9	-3	-2	-2
= FCF to equity	-2	-7	10	-2	6	-7	-6	6	-38	-84	-9	2	-4	7	25
Share issue	19	0	0	0	0	0	0	0	2	32	59	59	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash flow	17	-7	12	0	6	-7	-6	6	-7	-23	35	47	-6	7	25

Balance sheet (DKKm)	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20e	Q4'20e	Q1'21e	2016	2017	2018	2019	2020e	2021e	2022e
Net Working capital	20	32	23	21	17	26	36	33	57	28	30	23	36	45	56
LT operating assets	59	58	56	55	52	51	51	51	129	48	56	56	51	51	51
Invested capital	80	90	80	76	68	77	87	84	186	76	86	80	87	96	107
Equity	75	76	78	77	82	84	89	93	183	35	78	78	89	107	144
Net debt	-14	0	0	0	0	-26	-21	-27	-4	28	-17	-17	-21	-30	-56
Other financial obligations (+) / assets (-)	18	16	16	17	19	19	19	19	7	19	16	16	19	19	19
Net debt / EBITDA									-0.3x	-0.4x	-1.1x	-1.1x	-0.6x	-0.7x	-0.8x

Source: ABG Sundal Collier, company data

Estimate changes

P&L (DKKm)	2020e	2021e	2022e
Sales	1%	1%	1%
Gross profit	3%	2%	3%
Personnel	-5%	1%	1%
Other opex	-12%	4%	12%
EBITDA	48%	7%	2%
Depreciation	4%	6%	1%
EBIT	1209%	9%	3%
Pre tax	-3647%	12%	4%
Net profit	-1358%	12%	4%

Source: ABG Sundal Collier, company data

Guidance overview

Long term ambitions (from CMD 2019)

3 year horizon	ABGSC	Napatech Aspiration
Revenue CAGR	22.4%	CAGR 20-30%
Gross margin	72.0%	Around 70%
Operating costs CAGR	12.8%	7-10%

Short term guidance:

2020 guidance	ABGSCe	Guidance 2020	
		Napatech current	Napatech old
Sales	205	195	195
Gross margin	72%	71%	70%
Staff and other expenses	-130	-123	-130
EBITDAC	17.6	16	7
Transferred to capitalised cost	18.0	16	18
EBITDA	35.7	31	24
D&A	-24.1	-23	-23
EBIT	11.5	8.9	1.5

Source: ABG Sundal Collier, company data

Peer table

Company	What they do	Sales 2019 USDm	Country	Profitable last FY	EBIT margin	Sales growth '20e	EV	EV / sales '21e	EV / EBIT '22e
Nordic peers									
Advenica AB	Development and sale of cybersecurity solutions	8	Sweden	No	-33%	DM	17	DM	DM
AAC-Clyde	Development of advanced niche electrical sub-components	7	Sweden	No	-70%	96%	32	1.4x	DM
Allgon AB	R&D + sales of industrial radio remote controls	61	Sweden	Yes	11%	-15%	74	1.1x	6.8x
Asetek	Develops and markets liquid cooling solutions, mainly fo PCs	54	Denmark	Yes	1%	DM	199	DM	DM
Kitron	Manufactures fully assembled electronic circuit boards	371	Norway	Yes	5%	15%	389	0.8x	10.8x
Nordic Semiconductor	R&D + sales of wireless low power radio chips	288	Norway	Yes	5%	20%	1,746	3.8x	22.4x
RTX A/S		85	Denmark	Yes	15%	11%	348	3.0x	DM
Sivers IMA Holding		10	Sweden	No	-85%	9%	427	18.4x	-232.1x
International peers									
Symantec	Cyber security solutions	2,490	United States	Yes	25%	0%	16,384	6.4x	11.9x
Spirent	Telco testing company	504	United Kingdom	Yes	18%	4%	2,171	3.9x	19.9x
Intel	Semiconductor	71,965	United States	Yes	31%	4%	223,262	3.0x	9.1x
Silicom	R&D and sale of SmartNIC	105	Israel	Yes	10%	DM	213	DM	DM
Cisco	Network & telco equipment	49,301	United States	Yes	29%	-5%	189,781	3.9x	11.3x
Check point	IT security solutions (HW & SW)	1,995	Israel	Yes	44%	3%	16,228	7.7x	15.7x
Juniper networks	Netowrk & cyber security solutions	4,445	United States	Yes	11%	-1%	8,434	1.9x	10.3x
IBM	Multi technology	77,147	United States	Yes	14%	0	169,040	2.3x	12.4x
Xilinx	FPGA semiconductor chips	3,163	United States	Yes	26%	-3%	25,085	7.3x	21.8x
Average Nordic peers		111			-19%	23%	404	4.8x	13.3x
Average International peers		23,457			23%	0%	72,289	4.5x	14.1x
Average all peers		12,471			3%	10%	38,460	4.6x	-6.6x
Median Nordic peers		58			3%	13%	273	2.2x	10.8x
Median International peers		3,163			25%	0%	16,384	3.9x	12.2x
Median all peers		371			11%	4%	1,746	3.4x	11.6x
Implied Napatech share price (NOK / share)								EV / sales '21e	EV / EBIT '22e
Median Nodic peers								9.9	7.5
Median International peers								17.1	8.4
Median all peers								15.1	8.0

Source: ABG Sundal Collier, company data

Income Statement (DKKm)	Q1 2019	Q2 2019	Q3 2019e	Q4 2019	Q1 2020	Q2 2020	Q3 2020e	Q4 2020e
Sales	38	40	39	54	49	49	45	63
COGS	-12	-11	-7	-14	-15	-12	-13	-18
Gross profit	27	29	32	40	33	37	32	45
Other operating items	-28	-28	-26	-30	-30	-25	-24	-33
EBITDA	-1	1	5	10	4	12	8	12
Depreciation and amortisation	-6	-6	-6	-7	-6	-6	-6	-7
EBITA	-8	-5	-1	4	-2	6	2	5
EO items	0	0	0	0	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0
EBIT	-8	-5	-1	4	-2	6	2	5
Net financial items	-1	-0	1	-4	-0	-1	-0	-0
Pretax profit	-8	-6	0	-0	-2	5	2	5
Tax	-1	-0	-0	3	0	-0	-0	-1
Net profit	-9	-6	-0	2	-2	4	2	4
Minority interest	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0
Net profit to shareholders	-9	-6	-0	2	-2	4	2	4
EPS	-0.14	-0.07	-0.00	0.03	-0.02	0.05	0.02	0.04
EPS Adj	-0.14	-0.07	-0.00	0.03	-0.02	0.05	0.02	0.04
Total extraordinary items after tax	0	0	0	0	0	0	0	0
Tax rate (%)	15.7	8.6	311.1	600.9	0	4.3	22.0	22.0
Gross margin (%)	69.6	72.6	81.6	74.4	68.8	75.2	71.0	72.0
EBITDA margin (%)	-3.2	2.8	13.4	18.9	8.0	24.1	18.0	19.0
EBITA margin (%)	-20.0	-13.1	-2.1	6.6	-3.9	12.1	5.5	8.0
EBIT margin (%)	-20.0	-13.1	-2.1	6.6	-3.9	12.1	5.5	8.0
Pretax margin (%)	-21.4	-14.3	0.2	-0.8	-3.9	9.5	4.9	7.6
Net margin (%)	-24.8	-15.6	-0.3	4.1	-3.9	9.1	3.8	5.9
Growth rates Y/Y	Q1 2019	Q2 2019	Q3 2019e	Q4 2019	Q1 2020	Q2 2020	Q3 2020e	Q4 2020e
Sales growth (%)	71.6	60.3	653.8	0.0	26.9	23.3	16.0	16.0
EBITDA growth (%)	+chg	+chg	+chg	+chg	+chg	949.4	55.4	16.9
EBIT growth (%)	+chg	+chg	+chg	+chg	+chg	+chg	+chg	40.7
Net profit growth (%)	+chg	+chg	+chg	+chg	+chg	+chg	+chg	68.6
EPS growth (%)	+chg	+chg	+chg	+chg	+chg	+chg	+chg	68.6
Adj earnings numbers	Q1 2019	Q2 2019	Q3 2019e	Q4 2019	Q1 2020	Q2 2020	Q3 2020e	Q4 2020e
EBITDA Adj	-1	1	5	10	4	12	8	12
EBITDA Adj margin (%)	-3.2	2.8	13.4	18.9	8.0	24.1	18.0	19.0
EBITA Adj	-8	-5	-1	4	-2	6	2	5
EBITA Adj margin (%)	-20.0	-13.1	-2.1	6.6	-3.9	12.1	5.5	8.0
EBIT Adj	-8	-5	-1	4	-2	6	2	5
EBIT Adj margin (%)	-20.0	-13.1	-2.1	6.6	-3.9	12.1	5.5	8.0
Pretax profit Adj	-8	-6	0	-0	-2	5	2	5
Net profit Adj	-9	-6	-0	2	-2	4	2	4
Net profit to shareholders Adj	-9	-6	-0	2	-2	4	2	4
Net Adj margin (%)	-24.8	-15.6	-0.3	4.1	-3.9	9.1	3.8	5.9

Source: ABG Sundal Collier, Company data

Income Statement (DKK m)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sales	182	217	235	206	106	171	171	205	250	313
COGS	-49	-62	-71	-67	-57	-43	-43	-58	-73	-92
Gross profit	134	155	164	139	49	127	127	147	178	221
Other operating items	-134	-120	-129	-126	-194	-30	-112	-111	-133	-151
EBITDA	0	34	35	14	-145	97	15	36	45	69
Depreciation and amortisation	0	-29	-29	-37	-38	-108	-25	-24	-26	-31
Of which leasing depreciation	0	0	0	0	0	0	-2	-2	-1	-1
EBITA	0	5	6	-24	-183	-10	-10	12	19	38
EO items	0	0	0	0	0	-20	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	0	5	6	-24	-183	-10	-10	12	19	38
Net financial items	0	6	-0	-6	-10	-4	-4	-2	-1	-1
Pretax profit	0	11	6	-30	-192	-14	-14	10	18	37
Tax	0	-3	-2	5	13	1	1	-2	-4	-8
Net profit	0	8	4	-24	-179	-14	-14	8	14	29
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
Net profit to shareholders	0	8	4	-24	-179	-14	-14	8	14	29
EPS	0	0	0	0	0	0	-0.16	0.10	0.17	0.35
EPS Adj	0	0	0	0	0	0	-0.16	0.10	0.17	0.35
Total extraordinary items after tax	0	0	0	0	0	-16	0	0	0	0
Leasing payments	0	0	0	0	0	0	-3	-2	-2	-2
Tax rate (%)	ns	29.9	37.3	18.1	6.7	4.6	4.6	17.8	22.0	22.0
Gross margin (%)	73.3	71.4	69.7	67.7	46.2	74.5	74.5	71.8	71.0	70.5
EBITDA margin (%)	0	15.8	14.8	6.6	-136.4	57.1	9.0	17.4	18.0	22.2
EBITA margin (%)	0	2.5	2.6	-11.6	-171.9	-5.9	-5.9	5.6	7.5	12.2
EBIT margin (%)	0	2.5	2.6	-11.6	-171.9	-5.9	-5.9	5.6	7.5	12.2
Pretax margin (%)	0	5.1	2.5	-14.5	-181.0	-8.4	-8.4	4.7	7.1	11.9
Net margin (%)	0	3.6	1.6	-11.9	-168.9	-8.0	-8.0	3.9	5.5	9.3
Growth rates Y/Y	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sales growth (%)	na	18.8	8.3	-12.2	-48.5	60.7	0.0	20.1	22.2	25.0
EBITDA growth (%)	na	high	1.6	-60.9	-1,165.5	167.3	-84.3	133.5	26.4	54.1
EBIT growth (%)	na	high	9.8	-497.8	-664.7	94.5	0	214.2	63.9	102.3
Net profit growth (%)	na	high	-51.7	-756.2	-633.9	92.4	0	158.6	74.4	109.6
EPS growth (%)	na	na	na	na	na	na	high	158.6	74.4	109.6
Profitability	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
ROE (%)	nm	7.8	1.9	-12.6	-164.6	-24.0	-17.3	9.5	14.2	23.2
ROE Adj (%)	nm	7.8	1.9	-12.6	-164.6	4.2	-17.3	9.5	14.2	23.2
ROCE (%)	nm	11.4	3.1	-11.2	-122.6	-9.4	-7.7	9.5	14.6	24.3
ROCE Adj (%)	nm	11.4	3.1	-11.2	-122.6	10.1	-7.7	9.5	14.6	24.3
ROIC (%)	na	5.9	2.5	-11.1	-133.2	-14.0	-14.5	13.6	19.8	36.3
ROIC Adj (%)	na	5.9	2.5	-11.1	-133.2	13.8	-14.5	13.6	19.8	36.3
Adj earnings numbers	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA Adj	0	34	35	14	-145	117	15	36	45	69
EBITDA Adj margin (%)	0	15.8	14.8	6.6	-136.4	68.9	9.0	17.4	18.0	22.2
EBITDA lease Adj	0	34	35	14	-145	117	12	33	43	68
EBITDA lease Adj margin (%)	0	15.8	14.8	6.6	-136.4	68.9	7.3	16.3	17.3	21.7
EBITA Adj	0	5	6	-24	-183	10	-10	12	19	38
EBITA Adj margin (%)	0	2.5	2.6	-11.6	-171.9	5.8	-5.9	5.6	7.5	12.2
EBIT Adj	0	5	6	-24	-183	10	-10	12	19	38
EBIT Adj margin (%)	0	2.5	2.6	-11.6	-171.9	5.8	-5.9	5.6	7.5	12.2
Pretax profit Adj	0	11	6	-30	-192	6	-14	10	18	37
Net profit Adj	0	8	4	-24	-179	2	-14	8	14	29
Net profit to shareholders Adj	0	8	4	-24	-179	2	-14	8	14	29
Net Adj margin (%)	0	3.6	1.6	-11.9	-168.9	1.4	-8.0	3.9	5.5	9.3

Source: ABG Sundal Collier, Company data

Cash Flow Statement (DKKkm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA	0	34	35	14	-145	97	15	36	45	69
Net financial items	0	6	-0	-6	-10	-4	-4	-2	-1	-1
Paid tax	0	-3	-2	5	13	1	-2	0	0	0
Non-cash items	0	28	16	1	73	0	0	0	0	0
Cash flow before change in WC	0	64	49	14	-68	94	9	34	44	69
Change in WC	0	-31	-28	1	20	-87	17	-15	-9	-11
Operating cash flow	0	33	21	15	-48	7	26	19	35	58
CAPEX tangible fixed assets	0	-4	-3	-5	-0	-0	-1	-0	0	0
CAPEX intangible fixed assets	0	-43	-46	-48	-35	-15	-15	-19	-26	-31
Acquisitions and disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	0	-14	-28	-38	-84	-9	11	-0	9	26
Dividend paid	0	0	0	0	0	0	0	0	0	0
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Lease liability amortisation	0	0	0	0	0	0	-5	-3	-1	-1
Other non cash items	0	85	-1	2	29	56	-2	-2	-1	-1
Decrease in net IB debt	0	73	-28	-37	-32	44	0	3	9	26
Balance Sheet (DKKkm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangible assets	0	91	105	120	43	41	41	39	40	41
Tangible fixed assets	0	8	6	6	3	1	1	1	1	1
Right-of-use asset	0	0	0	0	0	12	12	10	9	7
Total other fixed assets	0	2	2	2	2	1	1	1	1	1
Fixed assets	0	102	114	129	48	56	56	51	51	51
Inventories	0	14	19	36	17	10	10	16	20	24
Receivables	0	55	82	61	45	33	33	40	50	62
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	0	76	47	40	17	64	64	58	65	90
Total assets	0	248	261	266	127	163	163	164	185	228
Shareholders equity	0	197	204	183	35	78	78	89	107	144
Minority	0	0	0	0	0	0	0	0	0	0
Total equity	0	197	204	183	35	78	78	89	107	144
Long-term debt	0	5	5	0	0	0	0	0	0	0
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	14	14	11	9	8
Total other long-term liabilities	0	5	8	7	13	9	9	12	12	12
Short-term debt	0	1	0	35	45	33	33	26	26	26
Accounts payable	0	38	42	40	25	21	21	22	27	34
Other current liabilities	0	1	2	1	10	11	8	12	14	16
Total liabilities and equity	0	248	262	267	128	166	163	173	196	241
Net IB debt	0	-73	-44	-7	25	-19	-19	-22	-31	-57
Net IB debt excl. pension debt	0	-73	-44	-7	25	-19	-19	-22	-31	-57
Net IB debt excl. leasing	0	-73	-44	-7	25	-33	-33	-33	-40	-65
Capital invested	0	130	168	183	73	65	68	71	78	86
Working capital	0	30	57	57	27	10	13	21	28	37
EV breakdown	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Market cap. diluted (m)	0	0	336	553	393	77	295	499	499	499
Net IB debt Adj	0	-73	-44	-7	25	-19	-19	-22	-31	-57
Market value of minority	0	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	0	0	0	0	0	0	0	0	0	0
EV	0	-73	291	546	418	58	275	477	468	442
Capital efficiency	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Total assets turnover (%)	nm	175.1	92.2	78.1	54.0	117.7	104.9	125.4	143.2	151.6
Working capital/sales (%)	0	6.9	18.5	27.5	39.5	10.9	6.9	8.5	9.8	10.3
Financial risk and debt service	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Net debt/equity	nm	-0.37	-0.22	-0.04	0.72	-0.25	-0.25	-0.25	-0.29	-0.40
Net debt/market cap	nm	nm	-0.29	-0.01	0.04	-0.07	-0.11	-0.04	-0.06	-0.11
Equity ratio (%)	nm	79.6	78.2	68.8	27.3	48.2	48.2	54.2	57.6	63.3
Net IB debt adj./equity	nm	-0.37	-0.22	-0.04	0.72	-0.25	-0.25	-0.25	-0.29	-0.40
Current ratio	nm	3.60	3.37	1.81	1.00	1.54	1.63	1.77	1.89	2.21
EBITDA/net interest	na	-6.19	579.47	2.28	-15.12	23.38	3.66	19.62	42.43	81.18
Net IB debt/EBITDA	nm	-2.12	-1.27	-0.53	-0.17	-0.20	-1.26	-0.62	-0.69	-0.82
Net IB debt/EBITDA lease Adj	nm	-2.12	-1.27	-0.53	-0.17	-0.28	-2.63	-0.99	-0.93	-0.96
Interest cover	nm	19.71	17.37	-4.01	-19.06	-2.09	-2.09	5.45	11.40	23.53

Source: ABG Sundal Collier, Company data

Valuation and Ratios (DKKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Shares outstanding adj.	0	0	29	29	30	40	83	83	83	83
Fully diluted shares Adj	0	0	29	29	30	40	83	83	83	83
EPS	0	0	0	0	0	0	-0.16	0.10	0.17	0.35
Dividend per share Adj	0	0	0	0	0	0	0	0	0	0
EPS Adj	0	0	0	0	0	0	-0.16	0.10	0.17	0.35
BVPS	0	0	7.08	6.24	1.17	1.98	0.94	1.07	1.29	1.74
BVPS Adj	0	0	3.44	2.14	-0.28	0.94	0.45	0.61	0.80	1.24
Net IB debt / share	na	na	-1.5	-0.2	0.8	-0.5	-0.2	-0.3	-0.4	-0.7
Share price	11.44	5.76	11.62	18.84	13.27	1.95	3.55	6.01	6.01	6.01
Market cap. (m)	0	0	336	553	393	77	295	499	499	499
Valuation	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
P/E	nm	nm	nm	nm	nm	nm	-21.7	62.7	36.0	17.2
EV/sales	0	-0.33	1.24	2.65	3.94	0.34	1.61	2.33	1.87	1.41
EV/EBITDA	nm	-2.1	8.4	40.2	-2.9	0.6	18.0	13.4	10.4	6.4
EV/EBITA	nm	-13.3	48.6	-22.9	-2.3	-5.8	-27.3	41.5	24.8	11.6
EV/EBIT	nm	-13.3	48.6	-22.9	-2.3	-5.8	-27.3	41.5	24.8	11.6
Dividend yield (%)	0	0	0	0	0	0	0	0	0	0
FCF yield (%)	0	0	0	0	0	0	3.7	-0.1	1.9	5.3
Lease adj. FCF yield (%)	nm	nm	nm	nm	nm	nm	1.9	-0.6	1.6	5.0
P/BVPS	nm	nm	1.64	3.02	11.32	0.99	3.76	5.61	4.68	3.46
P/BVPS Adj	nm	nm	3.38	8.79	-47.82	2.07	7.90	9.92	7.49	4.86
P/E Adj	nm	nm	nm	nm	nm	nm	-21.7	62.7	36.0	17.2
EV/EBITDA Adj	nm	-2.1	8.4	40.2	-2.9	0.5	18.0	13.4	10.4	6.4
EV/EBITA Adj	nm	-13.3	48.6	-22.9	-2.3	5.9	-27.3	41.5	24.8	11.6
EV/EBIT Adj	nm	-13.3	48.6	-22.9	-2.3	5.9	-27.3	41.5	24.8	11.6
EV/cap. employed	nm	-0.4	1.4	2.5	5.3	0.5	2.2	3.8	3.3	2.5
Investment ratios	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Capex/sales	0	21.7	20.8	25.9	33.8	9.2	9.2	9.3	10.5	10.0
Capex/depreciation	nm	163.5	169.5	142.2	95.0	14.5	67.6	85.0	106.0	104.2
Capex tangibles/tangible fixed assets	nm	48.6	46.5	77.9	18.2	40.5	42.7	26.5	0	0
Capex intangibles/definite intangibles	nm	47.0	43.6	40.3	82.5	36.8	36.8	48.6	65.3	75.6
Depreciation on intangibles/definite inta	nm	31.5	27.4	31.2	87.9	261.3	56.2	57.9	61.7	72.5
Depreciation on tangibles/tangibles	nm	0	0	0	0	0	0	0	0	0

Source: ABG Sundal Collier, Company data

Analyst certification

I/We, Aksel Øverland Engebakken, Eirik Thune Øritsland, Øystein Elton Lodgaard, the author(s) of this report, certify that not withstanding the existence of any such potential conflicts of interests referred to below, the views expressed in this report accurately reflect my/our personal view about the companies and securities covered in this report.

Analyst valuation methods

ABG Sundal Collier analysts may publish valuation ranges for stocks covered under Company Sponsored Research. These valuation ranges rely on various valuation methods. One of the most frequently used methods is the valuation of a company by calculation of that company's discounted cash flow (DCF). Another valuation method is the analysis of a company's return on capital employed relative to its cost of capital. Finally, the analysts may analyse various valuation multiples (e.g. the P/E multiples and the EV/EBITDA multiples) relative to global industry peers. In special cases, particularly for property companies and investment companies, the ratio of price to net asset value is considered. Valuation ranges may be changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of a company's assets changes (in the cases of investment companies, property companies or insurance companies) or when factors impacting the required rate of return change.

Important Company Specific Disclosure

The following disclosures relate to the relationship between ABG Sundal Collier and its affiliates and the companies covered by ABG Sundal Collier referred to in this research report.

Unless disclosed in this section, ABG Sundal Collier has no required regulatory disclosures to make in relation to an ownership position for the analyst(s) and members of the analyst's household, ownership by ABG Sundal Collier, ownership in ABG Sundal Collier by the company(ies) to whom the report(s) refer(s) to, market making, managed or co-managed public offerings, compensation for provision of certain services, directorship of the analyst, or a member of the analyst's household, or in relation to any contractual obligations to the issuance of this research report.

ABG Sundal Collier has undertaken a contractual obligation to issue this report and receives predetermined compensation from the company covered in this report.

ABG Sundal Collier has managed or co-managed a public or Rule 144A offering for Napatech in the last 12 months.

Within the last 12 months, ABG Sundal Collier has received compensation for Corporate Finance services from Napatech.

ABG Sundal Collier is not aware of any other actual, material conflicts of interest of the analyst or ABG Sundal Collier of which the analyst knows or has reason to know at the time of the publication of this report.

Production of report: 13/08/2020 22:11 CET.

All prices are as of market close on 12 August, 2020 unless otherwise noted.

Disclaimer

This document has been prepared by ABG Sundal Collier which is the marketing name referring to all or any of ABG Sundal Collier ASA, ABG Sundal Collier AB or ABG Sundal Collier Partners LLP and any of their affiliated or associated companies and their directors, officers, representatives and employees.

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

This research product has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination.

This report is provided solely for the information and use of professional investors, who are expected to make their own investment decisions without undue reliance on this report. The information contained herein does not apply to, and should not be relied upon by, retail clients. This report is for distribution only under such circumstances as may be permitted by applicable law. Research reports prepared by ABG Sundal Collier are for information purposes only. ABG Sundal Collier accepts no liability whatsoever for any losses arising from any use of this report or its contents. This report is not to be used or considered as an offer to sell, or a solicitation of an offer to buy. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but ABG Sundal Collier makes no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of ABG Sundal Collier on the date of this report and are subject to change without notice. Past performance is not indicative of future results.

This research report does not, and does not attempt to contain everything material that there is to be said about Napatech.

The compensation of our research analysts is determined exclusively by research management and senior management, but not including investment banking management. Compensation is not based on specific investment banking revenues, however, it is determined from the profitability of the ABG Sundal Collier Group, which includes earnings from investment banking operations and other business. Investors should assume that ABG Sundal Collier is seeking or will seek investment banking or other business relationships with the companies in this report. The research analyst(s) responsible for the preparation of this report may interact with trading desk and sales personnel and other departments for the purpose of gathering, synthesizing and interpreting market information. From time to time, ABG Sundal Collier and its affiliates and any shareholders, directors, officers or employees thereof may (I) have a position in, or otherwise be interested in, any securities directly or indirectly connected to the subject of this report, or (II) perform investment banking or other services for, or solicit investment banking or other services from, a company mentioned in this report. ABG Sundal Collier relies on information barriers to control the flow of information contained in one or more areas of ABG Sundal Collier, into other areas, units, groups or affiliates of ABG Sundal Collier.

Norway: ABG Sundal Collier ASA is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet); Sweden: ABG Sundal Collier AB is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen); UK: This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Partners LLP, authorised and regulated by the Financial Conduct Authority in the conduct of its business. US: This report is being distributed in the United States in accordance with FINRA Rule 1050(f)(3)(B) by ABG Sundal Collier Inc., a FINRA member which accepts responsibility for its content. Research analysts are not registered/qualified as research analysts with FINRA or the NYSE, and are not associated persons of ABG Sundal Collier Inc. and therefore not subject to FINRA Rule 2241, the research analyst conflict rules. Research reports distributed in the U.S are intended solely for "major institutional investors", as defined under Rule 15a-6 of the Securities

Exchange Act of 1934. Each U.S. major institutional investor that receives a copy of this research report by its acceptance represents that it agrees it will not distribute this research report to any other person. Any U.S. major institutional investor receiving this report who wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte Ltd, which is not licensed under the Financial Advisers Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

This report may not be reproduced, distributed or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies details regarding disclosures may be found on our website www.abgsc.com.

© Copyright 2020 ABG Sundal Collier ASA

ABGSC Research Department

Joint Global Head of Research

John Olaisen +47 22 01 61 87
 Christer Linde +46 8 566 286 90

Strategy

Christer Linde, Quant/Technical +46 8 566 286 90
 Derek Laliberte +46 8 566 286 78
 Bengt Jonassen +47 22 01 60 98

Capital Goods

Olof Cederholm +46 8 566 286 22
 Karl Bokvist +46 8 566 286 33
 Oskar Vikström +46 8 566 286 63

Chemicals

Martin Melbye +47 22 01 61 37
 Bengt Jonassen +47 22 01 60 98
 Petter Nyström +47 22 01 61 35

Construction & Real Estate

Tobias Kaj +46 8 566 286 21
 Bengt Jonassen +47 22 01 60 98
 Daniel Vårdal Haugland +47 22 01 61 75
 Staffan Bülow +46 8 566 286 39
 Laurits Louis Kjaergaard +45 35 46 30 12

Consumer Goods

Petter Nyström +47 22 01 61 35
 Fredrik Ivarsson +46 8 566 286 95

Credit Research

Rikard Magnus Braaten +47 22 01 60 86
 Andreas Johannessen +47 22 01 60 31
 Haakon Amundsen +47 22 01 60 25
 Glenn Kringhaug +47 22 01 61 62
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65
 Ludvig Kapanen +46 8 566 286 91

Financials

Magnus Andersson +46 8 566 294 69
 Mads Thinggaard +45 35 46 30 18
 Patrik Brattelius +46 8 566 286 64
 Jan Erik Gjerland +47 22 01 61 16
 Jonas Bru Lien +47 22 01 61 71

Food & Beverages

Fredrik Ivarsson +46 8 566 286 95
 Petter Nyström +47 22 01 61 35

Healthcare

Rickard Anderkrans +46 8 566 286 73
 Viktor Sundberg +46 8 566 286 41
 Victor Forssell +46 8 566 286 92
 Jannick Lindegaard Denholt +45 35 46 30 13
 Benjamin Silverstone +45 35 46 30 11

Investment Companies

Derek Laliberte +46 8 566 286 78

IT

Aksel Øverland Engebakken +47 22 01 61 11
 Daniel Thorsson +46 8 566 286 82
 Simon Granath +46 8 566 286 32
 Jesper Birch-Jensen +46 8 566 286 13

Media

Aksel Øverland Engebakken +47 22 01 61 11
 Derek Laliberte +46 8 566 286 78

Metals & Mining

Martin Melbye +47 22 01 61 37
 Bengt Jonassen +47 22 01 60 98

Oil & Gas

John Olaisen +47 22 01 61 87
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65
 Eirik Thune Øritsland +47 22 01 61 40

Oil Service

John Olaisen +47 22 01 61 87
 Haakon Amundsen +47 22 01 60 25
 Lukas Daul +47 22 01 61 39
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65
 Eirik Thune Øritsland +47 22 01 61 40

Online Gaming

Aksel Øverland Engebakken +47 22 01 61 11
 Erik Moberg +46 8 566 286 87
 Stefan Knutsson +46 8 566 286 37
 Jesper Birch-Jensen +46 8 566 286 13

Pulp & Paper

Martin Melbye +47 22 01 61 37
 Øystein Elton Lodgaard +47 22 01 60 26

Renewable Energy

Casper Blom +45 35 46 30 15
 Petter Nyström +47 22 01 61 35

Retail

Fredrik Ivarsson +46 8 566 286 95
 Johan Brown +46 8 566 286 51
 Petter Nyström +47 22 01 61 35

Seafood

Martin Kaland +47 22 01 60 67

Services

Victor Forssell +46 8 566 286 92
 Stefan Knutsson +46 8 566 286 37

Shipping & Transport

Dennis Anghelopoulos +47 22 01 60 37
 Casper Blom +45 35 46 30 15
 Lukas Daul +47 22 01 61 39

Telecom Operators + Telecom equipment

Peter Kurt Nielsen +44 207 905 5631

Utilities

Petter Nyström +47 22 01 61 35
 Oskar Vikström +46 8 566 286 63

Small Caps/Others

Daniel Thorsson +46 8 566 286 82
 Laurits Louis Kjaergaard +45 35 46 30 12
 Edvard Hagman +45 35 46 30 31

Norway

Pb. 1444 Vika
 NO-0115 OSLO
 Norway
 Tel: +47 22 01 60 00
 Fax: +47 22 01 60 60

Sweden

Regeringsgatan 25, 8th floor
 SE-111 53 STOCKHOLM
 Sweden
 Tel: +46 8 566 286 00
 Fax: +46 8 566 286 01

Denmark

Forbindelsesvej 12,
 DK-2100 COPENHAGEN
 Denmark
 Tel: +45 35 46 61 00
 Fax: +45 35 46 61 10

United Kingdom

10 Paternoster Row, 5th fl
 LONDON EC4M 7EJ
 UK
 Tel: +44 20 7905 5600
 Fax: +44 20 7905 5601

USA

850 Third Avenue, Suite 9-C
 NEW YORK, NY 10022
 USA
 Tel: +1 212 605 3800
 Fax: +1 212 605 3801

Germany

Schillerstrasse 2, 5. OG
 DE-60313 FRANKFURT
 Germany
 Tel +49 69 96 86 96 0
 Fax +49 69 96 86 96 99

Singapore

10 Collyer Quay
 Ocean Financial Center
 #40-07, Singapore 049315
 Tel +65 6808 6082