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Alphawave IP Acquires Optical DSP Chip Developer Banias Labs, Advancing its Optical DSP Products for Data Centers

Alphawave IP Negotiates a Multi-Year Framework with a Leading North American Hyperscaler for a Potential Roadmap Delivering Over US\$300 Million of Optical Products

LONDON, UK and HOD HASHARON, Israel 13 October 2022 – Alphawave IP Group plc (“Alphawave” or “Company”) (LN:AWE), a global leader in high-speed connectivity for the world’s technology infrastructure today announced the acquisition of Banias Labs, an Israel-based optical Digital Signal Processing (“DSP”) chip developer for data centers for approximately US\$240 million. The acquisition strengthens Alphawave’s roadmap of optical DSP silicon products for data centers, a core high growth market for Alphawave.

Alongside the acquisition of Banias Labs, Alphawave has negotiated a non-binding, multi-year purchasing framework with a leading North American hyperscaler that proposes a multi-year roadmap for Alphawave to develop and sell a portfolio of optical products and DSPs, including coherent DSP technology from Banias Labs, with sales potentially ramping to over US\$300 million.

Tony Pialis, President and Chief Executive Officer of Alphawave said: “Banias Labs optical DSP technology provides a strong strategic advantage for Alphawave, strengthening our roadmap of DSP silicon solutions for data centers. This acquisition enhances our portfolio of electrical and optical solutions in the most advanced process technologies. The multi-year purchasing framework includes coherent optical solutions, and with the Banias acquisition, Alphawave is expanding its total addressable market by delivering next generation coherent optical solutions for the most advanced data centers.”

John Lofton Holt, Executive Chairman of Alphawave said: “We are pleased to welcome the talented Banias Labs team to Alphawave. This acquisition aligns with the strategic priorities that we articulated at our IPO, expanding our technology portfolio in high-speed connectivity to support long-term growth. Coherent optics will enable the next level of efficiencies in data center communications, addressing the increasing bandwidth and power efficiency requirements.”

About Coherent Optics

Coherent optics is the next evolution of optical solutions, the cornerstone of the industry’s efforts to achieve 800G and 1.6T Ethernet speeds while maintaining the required reaches inside and outside of data centers and also significantly reducing power consumption. Coherent technology is predominantly used today in long reaches of over 100km connecting data centers and in telecommunications. Banias Labs’ optical DSP technology strengthens Alphawave’s optical products roadmap by targeting a growing opportunity for coherent optical technology intra-data center, as shorter reaches adopt this technology.

Furthermore, Alphawave believes the significant engagement from a leading North American hyperscaler reflects the importance of this technology for the future of data center connectivity.

Key Acquisition Highlights

Key highlights are as follows:

- This acquisition brings silicon-proven optical DSP technology, expanding Alphawave's product portfolio and strengthening its product roadmap.
- Banias Labs' technology will expand Alphawave's addressable market and deepen Alphawave's commercial partnership with a leading North American hyperscaler.
- Alphawave is committed to becoming an industry leader with a broad portfolio of PAM4 and Coherent DSPs, in the most advanced technologies, and for all forms of Data Center connectivity.

Background on Banias Labs

Founded in 2020, Banias Labs¹ is a leading provider of coherent optical DSP semiconductor technology. Based near Tel Aviv, Israel, the key core technology leaders have worked together for over two decades and have a long track record of success in the silicon, IP, and communications segments of semiconductors. Banias Labs currently has approximately 50 employees the majority of whom are R&D focused.

Banias Acquisition Closing Details

Alphawave has acquired 100% of the shares of Banias Labs for a total cash consideration of US\$240 million paid upon closing.

The acquisition is funded out of existing cash and additional financing. Alphawave has obtained US\$210 million of Senior Secured Credit Facilities, comprising a five-year US\$110 million Revolving Credit Facility and a five-year US\$100 million Term Loan. The Company's Pro Forma net debt position after close is expected to be approximately US\$35 million. Alphawave expects to continue to have a strong cash flow generation profile which combined with the additional facilities provides a solid platform to navigate this period of accelerated business expansion.

Outlook

The Company expects the ramp of new Optical products to start in 2024 and profitability to improve from 2023 levels as products go into high-volume production and generate additional revenue. Alphawave anticipates additional revenue synergies given the complementary nature of the technology and its contribution to the product roadmap. Alphawave reiterates its stand-alone outlook. Further details on the pro forma 2023 outlook and the long-term financial model will be communicated at the upcoming capital markets day on 13 January 2023.

Trading for Q3 2022 has been strong and the Company will publish its trading update for Q3 2022 next week, on 17 October 2022.

¹ Banias Labs is the commercial name of Solanium Labs, the name under which the entity is registered in Israel.

Non-Binding Purchasing Framework Details

The non-binding purchasing framework agreement defines a potential portfolio of optical DSPs, including coherent solutions based on Baniyas technology, that Alphawave intends to develop over the next several years. The Company anticipates ramping up sales to the leading hyperscaler over a multi-year period, with the potential for aggregate sales to exceed US\$300 million, subject to the Company qualifying the products for use in the hyperscaler's data centers on a timely basis and ensuring sufficient silicon availability to meet its usage demands. The portfolio of optical DSPs continues to build on the leading connectivity technology that Alphawave has been delivering to the industry as silicon IPs. In addition, the non-binding framework agreement contemplates the Company issuing future stock warrants of up to 2.5% of the issued share capital of the Company, with vesting based on purchases of Alphawave silicon products of up to US\$700 million over the same period, and an exercise price based on the current trading price of the Company's shares, subject to downward adjustment if the Company's shares trade lower prior to issuance. The Company intends to solicit all required shareholder approvals, ahead of finalizing any warrant grants, which are not expected until at least 2024.

Presentation and webcast

A presentation for investors and analysts will be held today, 13 October 2022, at 8.30am BST. The webcast will be accessible via:

<https://awaveip.zoom.us/j/89082807240?pwd=ODdkSGxlNzZwb3JhR2w2a0pUQWxiUT09>

Passcode: 747970

Or by phone:

US: +1 669 900 9128 / +1 719 359 4580 / +1 253 215 8782

United Kingdom: +44 203 901 7895 / +44 208 080 6591 / +44 330 088 5830

Webinar ID: 890 8280 7240

Full list of dial-in numbers available <https://awaveip.zoom.us/j/89082807240?pwd=ODdkSGxlNzZwb3JhR2w2a0pUQWxiUT09>

A recording of the webcast and the presentation will be available later today on our website at [Results, Reports & Presentations \(awaveip.com\)](#)

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About Alphawave IP Group plc (LSE:AWE)

Faced with the exponential growth of data, Alphawave IP's technology services a critical need: enabling data to travel faster, more reliably and with higher performance at lower power. Alphawave IP is a global leader in high-speed connectivity for the world's technology infrastructure. Our IP and custom silicon solutions therefore meet the needs of global tier-one customers in data centers, compute, networking, AI, 5G, autonomous vehicles, and storage. Founded in Toronto, Canada in 2017, by an expert technical team with a proven track record in licensing semiconductor IP, our mission is to focus on the hardest-to-solve connectivity challenges. To find out more about Alphawave IP, visit: awaveip.com

This announcement is issued by Alphawave IP Group plc (the "Company") and contains information which is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No.596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019. By the publication of this Announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this Announcement on behalf of the Company is Link Company Matters Limited, acting as Company Secretary.