Asetek – Q2 2024: Lower demand impacting Liquid cooling business, SimSports on track

- **Q2 revenue of $12.7 million compared with $24.5 million in Q2 2023**
- **Q2 gross margin of 45%, level with Q2 2023**
- **Q2 adjusted EBITDA of $0.2 million, compared with $6.2 million in Q2 2023**
- **SimSports revenue was in line with expectations at $1.7 million in the quarter. Q2 2023 SimSports revenue of $2.4 million was unusually high due to initial shipments to a large reseller**
- **First-half 2024 revenue of $24.9 million and adjusted EBITDA of $0.2 million, compared with $39.3 million and $8.9 million in first-half 2023, respectively**
- **Group revenue expectation updated on July 1 to reflect a decrease of 28% to 32% compared to 2023 with an adjusted EBITDA margin of 1% to 4%**
- **Cost reductions initiated which are expected to yield annual cost savings of ~$3 million with full effect from Q1 2025**

Asetek reported second-quarter revenue of $12.7 million compared with $24.5 million in the same period of 2023. The second quarter of 2023 was among the top three quarters ever for the Company. First-half 2024 revenue was $24.9 million compared with $39.3 million in the first half 2023. The change in both periods mainly reflects fewer shipments of liquid cooling products. Gross margin was level at 45% for both the second quarter and first half of 2024 and the respective periods of 2023.

“With several factors currently impacting the liquid cooling business, we have taken steps to reduce costs, support profitability and ensure we are positioned to capture the long-term potential when the market stabilizes. Our SimSports business is progressing as planned supported by market-leading products, superior customer service and a strong brand name,” says André S. Eriksen, the CEO of Asetek.

Adjusted EBITDA was $0.2 million in the second quarter of 2024, compared with $6.2 million in the second quarter of 2023. First-half 2024 adjusted EBITDA was $0.2 million, compared with $8.9 million in the same period of 2023. Adjusted EBITDA in the second quarter and first half of 2023 includes $0.8 million of non-recurring charges related to the dual listing of shares on Nasdaq Copenhagen.

During the first half of 2024, the Company invested $5.8 million in property and equipment, including development of a new headquarters and R&D facility, and $1.1 million in capitalized costs for the development of new products. The Company drew $5.1 million against its construction credit lines in the first half.

At June 30, 2024, Asetek’s current liabilities exceeded current assets by $11.2 million. Cash and cash equivalents totaled $6.8 million. Current liabilities included $21.2 million of bank debt related to building construction. On July 1, the Company renegotiated the terms of its bank financing to update covenants and extend the facilities to April 1, 2026. Management is closely reviewing the Company’s liquidity due to the reduced revenue and profitability outlook for 2024.

OPERATIONS

During the quarter, Asetek announced a strategic partnership with Fabric8labs, a leading innovator in metal 3D printing. The partnership introduces an artificial intelligence (AI) optimized cold plate that demonstrates significant improvement in liquid cooling performance.

In April, the Company announced that the new OEM partner TRYX has introduced its PANORAMA all-in-one CPU coolers featuring a unique new curved 6.5-inch immersive display on the pump. The new coolers will include Asetek's most sophisticated new Gen8 liquid cooling technology, including a performance-engineered pump with a 3-phase motor for higher flow and quieter operation.

OUTLOOK

On July 1, Asetek updated its revenue and profitability outlook for 2024. Group revenue is expected in the range of $52 to $55 million, with an adjusted EBITDA margin of 1% to 4%. The updated revenue expectation implies a decrease of 28% to 32% compared to 2023. The previous revenue growth forecast was in the range of -5% to +5% with an EBITDA margin of 12% to 17%, as communicated in the first quarter 2024 report.

Due to the revised outlook, Asetek has initiated measures to right-size the organization and management, including scaling down the USA operations. These measures are expected to yield annual cost savings of approximately $3 million with full effect from the first quarter of 2025.

Conference call and webcast

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present and comment on the Company's second quarter results at 14:00 CEST and invite investors, analysts and media to join the presentation. The presentation is expected to last up to one hour, including Q&A, and can be followed via live webcast or conference call.

Webcast - audio and slide presentation:

Please join the results webcast via the following link:
http://events.q4inc.com/attendee/357370961

Conference call - audio only:

Please dial in 5-10 minutes prior using the phone numbers and confirmation code below:

Denmark:	+45 32 74 07 10
USA:	+1 646 307 1963
Germany	+49 6958 996 4217
Norway:	+47 57 98 94 30
UK:	+44 20 3481 4247
Conference ID:	**2616085**

The second quarter and first half 2024 earnings release, report and presentation will be made available online at www.asetek.com, as well as through news agencies.

A recorded version of the presentation will be made available at www.asetek.com approximately two hours after the presentation has concluded.

Q&A: The conference call lines will be opened for participants to ask question at the end of the presentation. Questions can also be submitted through the online webcast during the presentation.

For questions or further information, please contact:

CEO and Founder André S. Eriksen, +45 2125 7076, email: ceo@asetek.com

CFO Peter Dam Madsen, +45 2080 7200, email: investor.relations@asetek.com

Per Anders Nyman, Head of Investor Relations, +45 2566 6869, investor.relations@asetek.com

About Asetek

Asetek (ASTK), a global leader in mechatronic innovation, is a Danish garage-to-stock-exchange success story. Founded in 2000, Asetek established its innovative position as the leading OEM developer and producer of the all-in-one liquid cooler for all major PC & Enthusiast gaming brands. In 2021, Asetek introduced its line of products for next level immersive SimSports gaming experiences. Asetek is headquartered in Denmark and has operations in China, Taiwan and the United States.
www.asetek.com