



## **Asetek – Q3 2022: Focus on Efficiencies and New Products Amid Continued Market Headwinds**

- **Third-quarter revenue of \$10.4 million compared with \$13.5 million in Q3 2021**
- **Gross margin of 42% compared with 39% in Q3 2021**
- **Q3 EBITDA adjusted of negative \$0.6 million improved from negative \$1.4 million in Q3 2021**
- **Nine-month revenue of \$41.2 million and EBITDA adjusted of negative \$0.2 million**
- **Quarterly OPEX reduced 35% YoY due to organizational rightsizing and favorable exchange rates**
- **Product development focus maintained with first shipments of next-generation liquid coolers and new SimSports products ready for pre-order in Q4 2022**
- **Full-year 2022 revenue expected in the range of \$50-\$52 million and an operating loss of \$5-\$6 million**

Asetek reported third-quarter revenue of \$10.4 million compared with \$13.5 million in the same period of 2021. Revenue in the first nine months was \$41.2 million compared with \$61.7 million in the same period last year. The change from prior year for both periods compared reflects a decline in shipments of liquid cooling products due to the continued challenging business climate.

Gross margin was 42% for the third quarter of 2022 compared with 39% in the third quarter of 2021. The margin improvement reflects a stronger U.S. dollar, a change in the mix of product shipments, and lower costs associated with global shipping and logistics. Gross margin for the first nine months of 2022 was 41% compared with 42% in the same period of 2021.

“While we are reducing costs and seeking efficiencies in response to the continued challenging business climate, we also see a high level of interest and positive feedback from end-users for all of our products. We expect demand to recover once the current macro headwinds subside and remain focused on widening our product program in 2022 and 2023 to capture the long-term growth potential as gamers and enthusiasts continue to demand new, improved equipment and experiences within traditional gaming and sim racing,” said André Sloth Eriksen the CEO of Asetek.

Operating loss was \$1.7 million and adjusted EBITDA was negative \$0.6 million in the third quarter of 2022, compared with operating loss of \$4.1 million and adjusted EBITDA of negative \$1.4 million in the third quarter of 2021. In the first nine months, operating loss was \$3.5 million and adjusted EBITDA was negative \$0.2 million, compared with operating income of \$1.3 million and adjusted EBITDA of \$6.5 million in the same period of 2021.

Operating expenses of \$6.1 million were 35% lower than the third quarter of 2021 which included one-time charges of net \$1.0 million. The cost savings were principally due to reduced staffing costs associated with headcount reductions and a stronger U.S. dollar which had a favorable effect of approximately \$0.9 million. Depreciation and amortization was \$1.0 million and share based compensation was \$32 thousand. Operating expense in the first nine months was \$20.3 million, 17% lower than the same period of the prior year.

During the first nine months of 2022, the Company invested \$11.9 million in property and equipment, including development of a new headquarters facility, and \$2.5 million in capitalized costs for the development of new products. The Company drew \$7.6 million on a construction credit line in the first nine months and is working on finalizing funding for the development period and structuring the long-term post-delivery financing.

At September 30, 2022, total assets were \$67.1 million (\$75.4 million at December 31, 2021) and total equity of \$43.0 million (\$48.4 million). Currency translation adjustment reduced total equity in the first nine months of 2022 by \$3.4 million, resulting from a 16% stronger U.S. dollar vs. the Danish krone.

Working capital at September 30 was \$6.5 million (\$20.6 million at December 31, 2021) including \$11.0 million of cash and cash equivalents (\$23.3 million). Long-term debt totaled \$1.8 million (\$1.5 million).

## OPERATIONS

In the third quarter, the Company shipped 155 thousand sealed loop coolers compared with 237 thousand in the third quarter of 2021. Eleven new products began shipping in the third quarter, including nine liquid coolers, four of which feature the new 8th generation cooling technology, and two SimSports products. In the fourth quarter, six new liquid cooling products and at least two new SimSports products are expected to begin shipping.

During the quarter, the Company began shipping orders for two new SimSports products – the high-performance Forte™ Throttle and Brake Pedal Set and the Pagani Huayra R Sim Racing Pedals. The Forte pedals enable aspiring sim racers to experience high-end pedals for immersive racing and a true racecar feel at a competitive price point. The limited edition Pagani Huayra R Sim Racing Pedals offer the virtual experience of driving a Pagani, the world's most exclusive hypercar brand.

In July, the Company announced an agreement with esports leader Hardpoint to make Asetek's SimSports racing products available to try out and purchase at International Motor Sports Association (IMSA) race events. In August, Asetek participated in the Gamescom 2022 Expo in Germany, exhibiting planned offerings from its upcoming line of SimSports steering wheels and wheelbases.

On October 4, Asetek announced a settlement of the pending patent infringement lawsuit with CoolIT Systems and Corsair Gaming. The settlement is expected to reduce the Company's future legal costs beginning in the first quarter of 2023.

## OUTLOOK

Rising inflation and interest rates combined with the lingering impact of pandemic lockdowns, supply chain disturbances and general geo-political tensions, continue to delay a normalization of the business climate. The effect is reduced discretionary consumer spending, decreased demand for the Company's Liquid cooling and SimSports products for gamers and enthusiasts, and continued low visibility in the forecasts provided by OEM customers. In this environment, the Company maintains its focus on cost efficiencies and product development.

On November 1, the Company provided updated full-year 2022 expectations for revenue in the range of \$50-\$52 million and operating loss in the range of \$5-\$6 million. The updated expectations follow the Company's temporary suspension of guidance on August 3 this year due to reduced visibility on OEM customer and end-user demand for Liquid cooling and SimSports products.

## Conference call and webcast

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present the Company's results today at 2:00 PM CET and invites 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:

<https://streams.eventcdn.net/asetek/2022q3/>

**Conference call – audio only:**

Please dial in 5-10 minutes prior using the phone numbers:

Denmark	+45 8987 5045
Norway	+47 8150 3308
United Kingdom	+44 (0) 20 3936 2999
Germany	+49 (0) 32 22109 8334
United States of America	+1 646 664 1960

Access code: 871 727

**Material:**

The third quarter 2022 earnings release and presentation will be made available online at [www.asetek.com](http://www.asetek.com) and [www.newsweb.no](http://www.newsweb.no), as well as through news agencies. A recorded version of the presentation will be made available at [www.asetek.com](http://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](mailto:ceo@asetek.com)

CFO Peter Dam Madsen, +45 2080 7200, email: [investor.relations@asetek.com](mailto:investor.relations@asetek.com)

**About Asetek:**

Asetek (ASTK.OL), 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 2013, Asetek went public while expanding into energy-efficient and environmentally friendly cooling solutions for data centers. 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.

This information is subject to the disclosure requirements pursuant to Section 5-12 of the Norwegian Securities Trading Act.