



Asetek – Q2 2022: Prolonged Market Headwinds, Focus on Cost Optimization and Product Development

- Q2 revenue of \$16.9 million compared with \$23.2 million in Q2 2021
- Gross margin of 42%, level with Q2 2021
- Q2 EBITDA adjusted of \$1.3 million, compared with \$3.2 million in Q2 2021
- First-half 2022 revenue of \$30.8 million, and EBITDA adjusted of \$0.4 million
- SimSports revenue of \$1.0 million in the first full quarter of sales
- Organizational rightsizing implemented to reduce operating costs and improve efficiency
- Temporary shift of development resources to drive SimSports product development
- Full year guidance temporarily suspended due to reduced visibility on customer demand as rising inflation and interest rates add to a continued uncertain and challenging business climate

Asetek reported second-quarter revenue of \$16.9 million, compared with \$23.2 million in the same period of 2021. First-half 2022 revenue was \$30.8 million, compared with \$48.2 million in the same period of 2021. The change in both periods mainly reflects fewer shipments of Gaming and Enthusiast products.

Gross margin was 42% for the second quarter and 40% in the first half of 2022 compared with 42% and 43% in the same periods of 2021. Second quarter margin improved from the first quarter due to the mix of product shipments and reduced cost prices. Margin for the first half was impacted by higher component costs due to continued shortages, changes to exchange rates, increased shipping costs from supply chain disruptions and changed product mix.

“We have taken steps to reduce costs and drive efficiencies in response to a prolonged challenging business climate for the Gaming & Enthusiast business and reduced short-term demand visibility amid rising inflation and interest rates, as reflected in the recent suspension of our full-year guidance,” said André Sloth Eriksen, CEO and founder of Asetek.

“While the launch of our SimSports products has been impacted by the same challenges combined with inability to meet early demand because of Chinese lockdowns, we continue to receive strong feedback from the sim racing community, reflected in incoming orders. We aim to widen our product program with new launches in 2022 and 2023 and remain confident in the long-term growth potential as gamers and enthusiasts continue to demand new, improved equipment and experiences within traditional gaming and sim racing,” Sloth Eriksen continued.

Operating income was \$0.1 million and adjusted EBITDA was \$1.3 million in the second quarter of 2022, compared with operating income of \$1.9 million and adjusted EBITDA of \$3.2 million in the second quarter of 2021. First-half 2022 operating loss was \$1.8 million and adjusted EBITDA was positive \$0.4 million, compared with operating income of \$5.4 million and adjusted EBITDA of positive \$7.9 million in the same period of 2021.

At June 30, 2022, Asetek had working capital of \$11.8 million, of which \$11.4 million was cash and cash equivalents. Long-term debt totaled \$1.1 million. During the first half of 2022, the

Company invested \$7.0 million in property and equipment, including development of a new headquarters facility, and \$2.0 million in capitalized costs for the development of new products. The Company drew \$4.4 million on a construction credit line in the first half.

To reduce costs and drive efficiencies, the Company recently reduced headcount with an expected annual cost reduction of \$4 to \$5 million with full effect during the second half of 2022. Total reductions across all business lines amount to 52 employees the past year.

OPERATIONS

The Company announced that both Asus and EVGA will integrate Asetek's high performance liquid cooling technology into new products utilizing NVIDIA's latest Ampere GPU architecture. ASUS' new ROG Strix LC GeForce RTX 3090 Ti OC edition graphics card and EVGA's new GeForce RTX 3090 Ti FTW3 ULTRA HYBRID GAMING graphics card each provide extreme performance and near-silent operation for competitive gamers and enthusiasts.

In March, the Company began shipping orders for the first of its SimSports products – Invicta Sim Racing Pedals, along with its RaceHub software for quick and easy adjustments and calibration. This initial offering, which has received highly positive reviews, provides competitive SimSports gamers with full immersion and the feeling of a real racecar. In April, the Company introduced its new high-performance Forte Throttle and Brake Pedal Set for immersive racing at a lower price point. SimSports revenue totaled \$1.0 million in the second quarter of 2022.

During the quarter, the Company formed a collaboration with Formula One racer Kevin Magnussen as a brand ambassador for Asetek SimSports. The Company also announced a sponsorship agreement with GetSpeed Race Team, a top contender in the 24-hour Nürburgring race.

OUTLOOK

The Company has temporarily shifted development resources from Gaming & Enthusiast to drive SimSports product development with the aim to introduce new products later in 2022.

Rising inflation and interest rates have recently added to the continued impact of pandemic lockdowns, supply chain disturbances and general geo-political tensions, delaying a normalization of the business climate. The effects are reduced discretionary consumer spending with decreased demand for the Company's Gaming & Enthusiast products. In addition, the Company is experiencing reduced visibility, caused by significantly increased volatility, in the forecasts provided by OEM customers for the second half of the year.

Due to the increased uncertainty, the Company has suspended its revenue and operating income guidance for 2022, beyond that revenue and operating income will likely be below previously communicated expectations. Previous guiding framed a revenue development in the range between a 5% decrease and 15% increase, and operating income in the range from -\$1 to +\$5 million. The Company will resume guidance when it has a more certain basis for providing full-year expectations.

Conference call and webcast today, Thursday, 11 August at 2:00 PM CEST

CEO André Sloth Eriksen, COO John Hamill and CFO Peter Dam Madsen will present the Company's results at 2:00 PM CEST 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/2022q2>

Conference call – audio only:

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

Denmark	+45 3271 4988
Norway	+47 2198 4292
United Kingdom	+44 (0) 203 059 58 69
Germany	+49 (0) 69 566 037000
United States of America	+1 760 294 1674

Material:

The second quarter 2022 earnings release, the half-year report and presentation will be made available online at www.asetek.com and www.newsweb.no, 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:

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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.