



Asetek

Q2 2022

11 August 2022

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Forward-looking statements include, among other things, statements concerning Asetek's potential exposure to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. A number of factors that affect Asetek's future operations and could cause Asetek's results to differ materially from those expressed in the forward-looking statements included in this document, include (without limitation): (a) changes in demand for Asetek's products; (b) currency and interest rate fluctuations; (c) customer concentration and industry competition; (d) legislative, fiscal, and regulatory developments, including changes in tax or accounting policies; (e) ability to enforce patents; (f) product development risks; (g) customer credit risks; and (h) supply of components.

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Highlights

- 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

Gaming & Enthusiast market experiencing prolonged headwinds

- Continued market challenges delaying a normalization of the business climate
 - Rising inflation and interest rates add further uncertainty
 - Full-year guidance suspended pending a more certain basis for providing expectations
- 
- Lingering effects of the war in Ukraine, COVID-19, supply chain disruptions and US tariffs on Chinese exports
 - Reduced consumer confidence and discretionary spending impacting demand for G&E and SimSports products
 - Reduced visibility caused by increased volatility in forecasts provided by OEM customers for H2 2022
 - Revenue and operating income likely to be below previously communicated expectations¹
 - An operating loss for the full year is expected

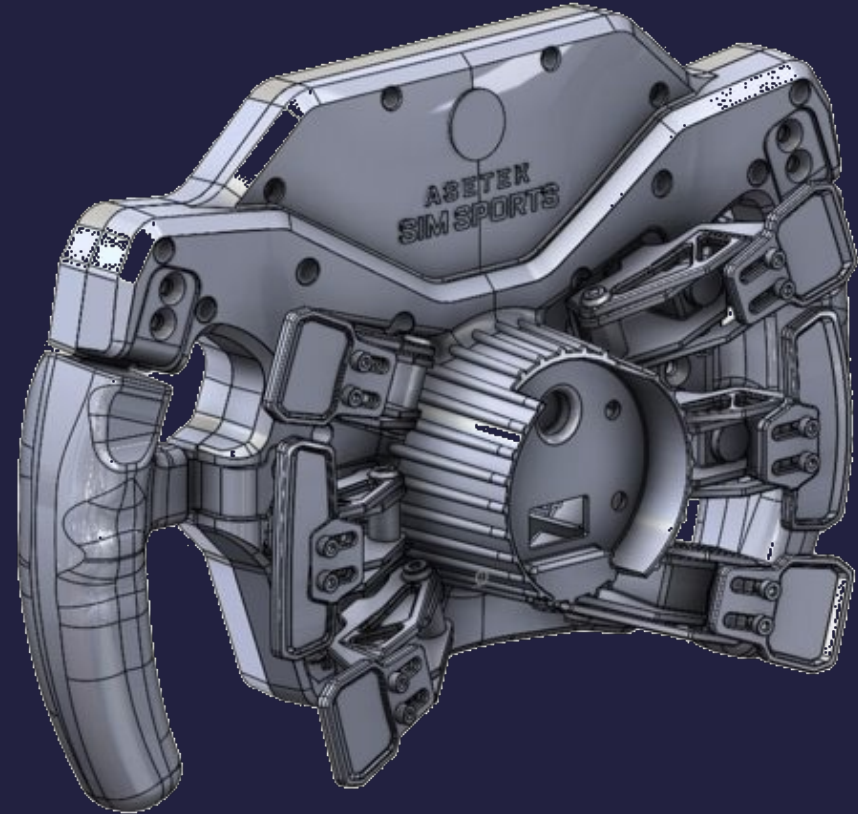
1) Previous guiding was for a revenue development in the range between a 5% decrease and 15% increase, and operating income in the range from -\$1 to +\$5 million.

Optimizing cost base and driving efficiencies

- Organizational rightsizing implemented
 - 52 full-time employees laid off over the past year across all regions and businesses
 - Consolidation of selected functions including closing of London sales office
 - Annual cost reductions are estimated at \$4-5 million with full effect during H2 2022
- Temporarily shifting resources from the Gaming & Enthusiast business to SimSports product development
- Continuous strengthening of supply chain capacity and capabilities
- Adjustment of product pricing in response to inflation and increased logistics costs
- Working with existing contract manufacturers to leverage capacity outside China
 - Expected start of shipments from Malaysia now in Q1 2023

Long-term potential unchanged

- Current market challenges are industry-wide and temporary
- Gaming interest and long-term drivers remain intact with end-users demanding new equipment and improved experiences within traditional gaming and SimSports
- Maintaining focus on product development to be positioned to meet OEM customer and end-user demand when market normalizes
- Opportunity to focus on SimSports roll-out and leverage a likely stronger ability to influence end-user demand than for liquid cooling products



Business overview

Gaming & Enthusiast



Enthusiasts and
do-it-yourself (DIY)

Liquid cooling for Competitive and
committed gamers and enthusiasts



Gaming/Performance PCs

Data center



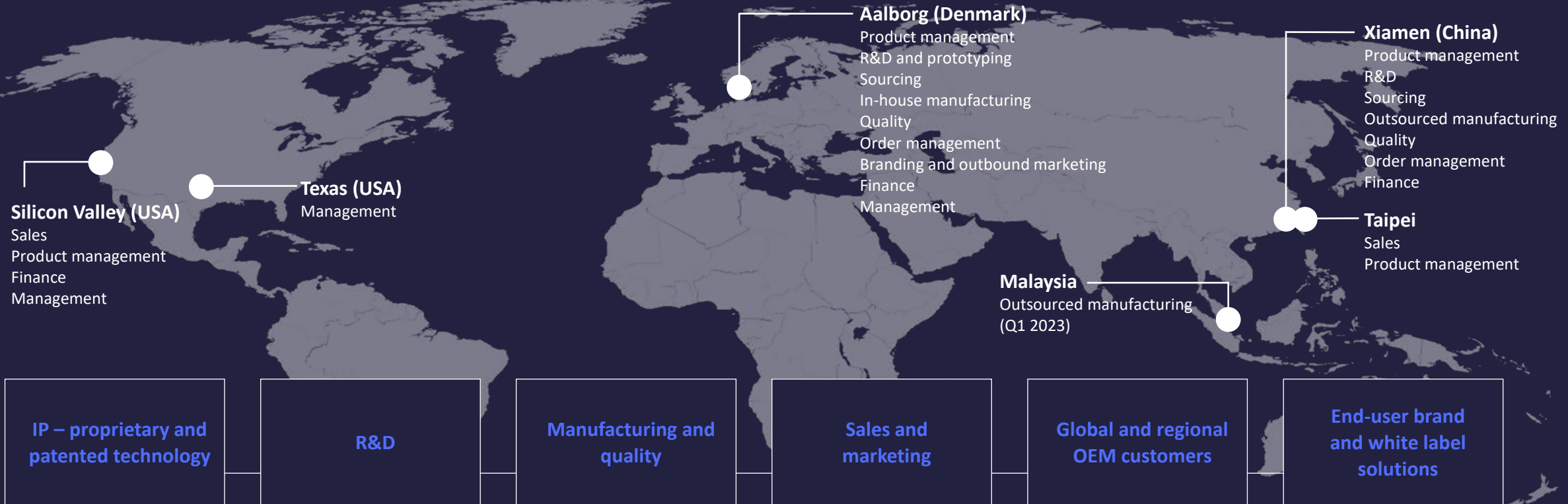
Liquid cooling for
enterprises

SimSports



Immersive equipment for gamers, racing
and automobile enthusiasts

Global platform with integrated value chain supports long-term growth



Strategic position: Large and long-term growing markets | Supplying global brands | Market-leading solutions

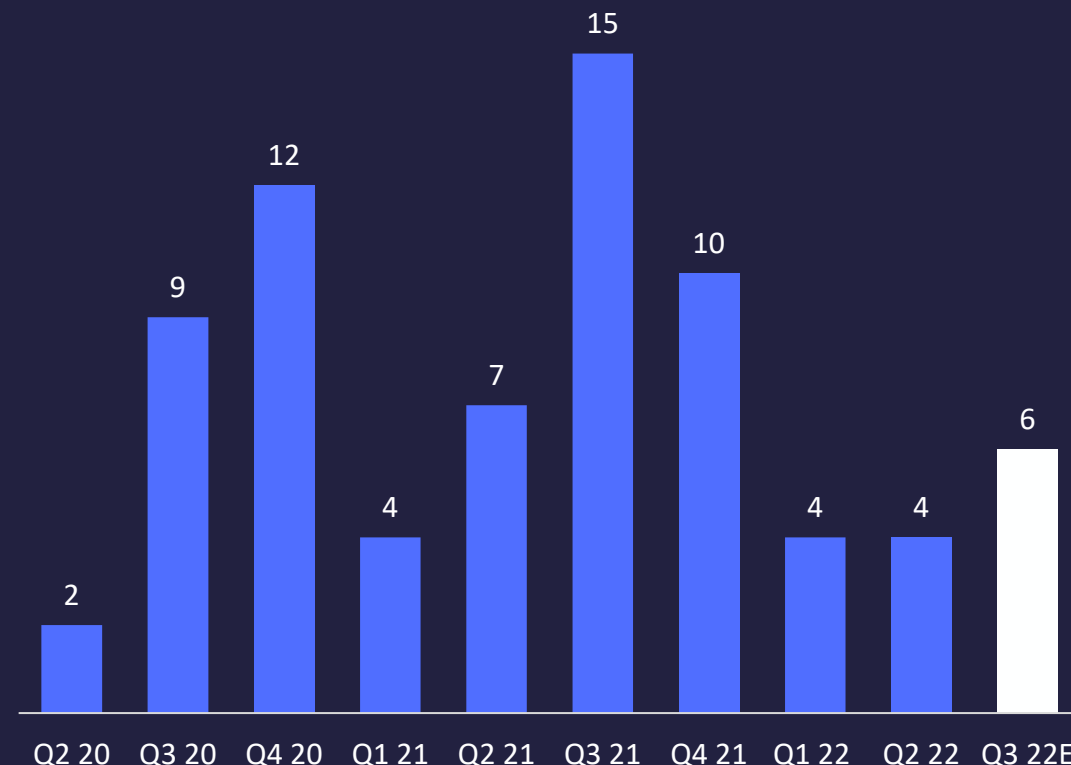
IP platform: Applications | Technology | Systems | Products | Patents | High-volume manufacturing | World-wide hub infrastructure

10 million units shipped | ~115 employees | FY'21 revenue of USD 80m | Listed on Oslo Stock Exchange

Gaming & Enthusiast

Product release activity affected by current market uncertainties

- Four new products started shipping in Q2 2022
 - Two in the DIY market and two in OEM segment
 - Includes GPU coolers from EVGA and ASUS ROG
- Six new products estimated to start shipping in Q3 2022
 - Customers continue to assess timing of new products releases due to the component shortages, logistics cost as well as impact of rising Interest rates and inflation on end-user demand
 - New product releases also impacted by excess channel inventories
- Investing in product development and branding to expand reach with key customers based on the core tenants of performance, quality and reliability



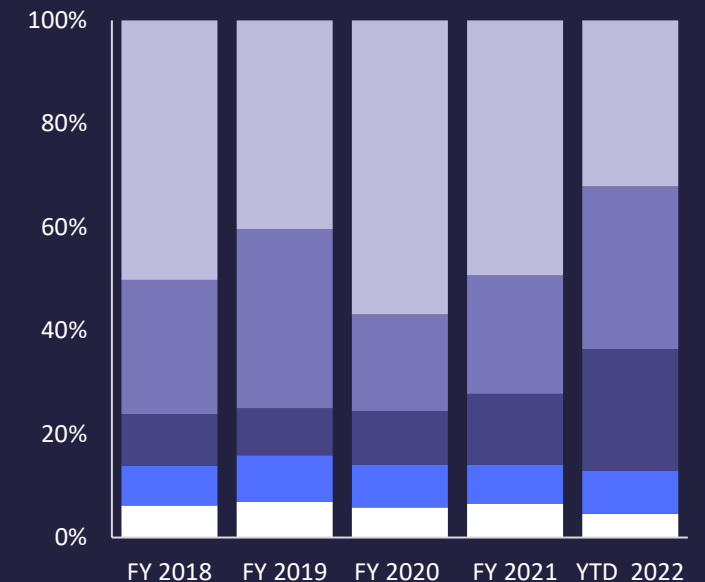
Wide and diversified base of Gaming & Enthusiast OEMs

Top 5 Gaming and Enthusiast customers¹

- Currently shipping to over 20 OEMs
- Top five represented 84% of Gaming and Enthusiast revenue in YTD 2022, vs. 83% for full-year 2021
- Ambition to increase diversification over time



Top 5 customers revenue split ²⁾



Gaming & Enthusiast strategic development

Goal	Strategy	Development and outlook
<p>Further develop leadership in the gaming and enthusiast liquid cooling market</p>	<ul style="list-style-type: none"> • R&D and product development • Growing existing customers • Widening OEM customer base • Branding and marketing 	<ul style="list-style-type: none"> • Focus on delivery of core liquid cooling solutions • Ramp-up of development to bring meaningful innovations to market • Develop and ship products with market leading performance, quality and reliability • Currently over 20 OEM customers • Focus on reducing single-customer dependency • Co-branding agreements in place with several OEMs • Connecting directly with gamers and enthusiasts via social media and online communities, such as Discord

SimSports

Positive market reception for initial SimSports products



- \$1 million in revenue in Q2 2022 following start of shipments of the high-end Invicta sim racing pedals in late March
- High-performance and high-value Forte sim racing started shipping late July
- Strong feedback from sim racing reviewers, influencers and end-users both pre and post purchase
- Building pipeline of new products for launch later in 2022 and in 2023



Expanding the product program

- Planned SimSports product launches:
 - The entry-level La Prima pedals open for pre-order in 2022
 - Steering wheels and wheel-bases open for pre-order in 2022
 - Racing rig, seats, shifters, hand brakes and other accessories planned in 2023
- Strengthening direct sales channels to increase availability and competitiveness
- Targeting additional gaming platforms beyond PCs
- Product development founded on extensive mechatronics and real racing competencies in close collaboration with leading sim racers



Bridging the gap between real racing and sim racing



- Formula One racer Kevin Magnussen named brand ambassador to bring the “thrill and authentic feel” of F1 to sim racers everywhere
- Sponsorship agreement with GetSpeed Race Team, a top contender in the 24-hour Nürburgring race
 - Asetek SimSports™ racing products available to try out in the GetSpeed RaceTaxi shop next to the track
 - Asetek SimSports™ branding on GetSpeed vehicles including the RaceTaxi, driven by a professional racecar driver



SimSports strategic development

Goal	Strategy	Development and Outlook
Becoming a next-level immersive gaming experiences provider	<ul style="list-style-type: none">• Leverage core mechatronics capabilities and global supply chain• Develop product offering based on acquired IP and technology• Establish a thriving third growth segment in a fragmented market	<ul style="list-style-type: none">• Initial focus on innovation and product development• Product development on plan based on own software and implementation of acquired IP• Finalize market and channel strategies, including direct sales, online resellers, motorsports shops etc.• First products now available for customers with further launches in 2022 and 2023• Supported by brand platform and reputation for performance, quality, reliability and immersive experiences

Data center

EU progressing legislation supporting use of liquid cooling for energy efficiency and CO2 reductions

- Continued shipments to existing HPC customers
- EU progressing energy legislation which requires the reuse of waste heat generated in data centers, favorable to adoption of Asetek technology
- The EU seeks to introduce circular infrastructure to neutralize CO2 emissions and preserve and reuse precious resources from rapidly growing data center activity
- Intensified focus on energy efficiency driven by ongoing energy supply challenges
- Asetek's Direct-to-chip liquid cooling enables power savings and CO2 emission reductions by enabling direct reuse of the waste heat at 60-65 centigrade in district heating systems without using power consuming heat-pumps
- Current investment in the Data Center business is limited and tied to influencing EU to introduce of tangible legislation with a 12-month deadline
 - USD ~80 million invested in the business over the years
 - Further investments to be halted if no legislation is passed within the deadline
 - Short-turnaround to restart business activities should legislation emerge at later stage



Update data center strategic development

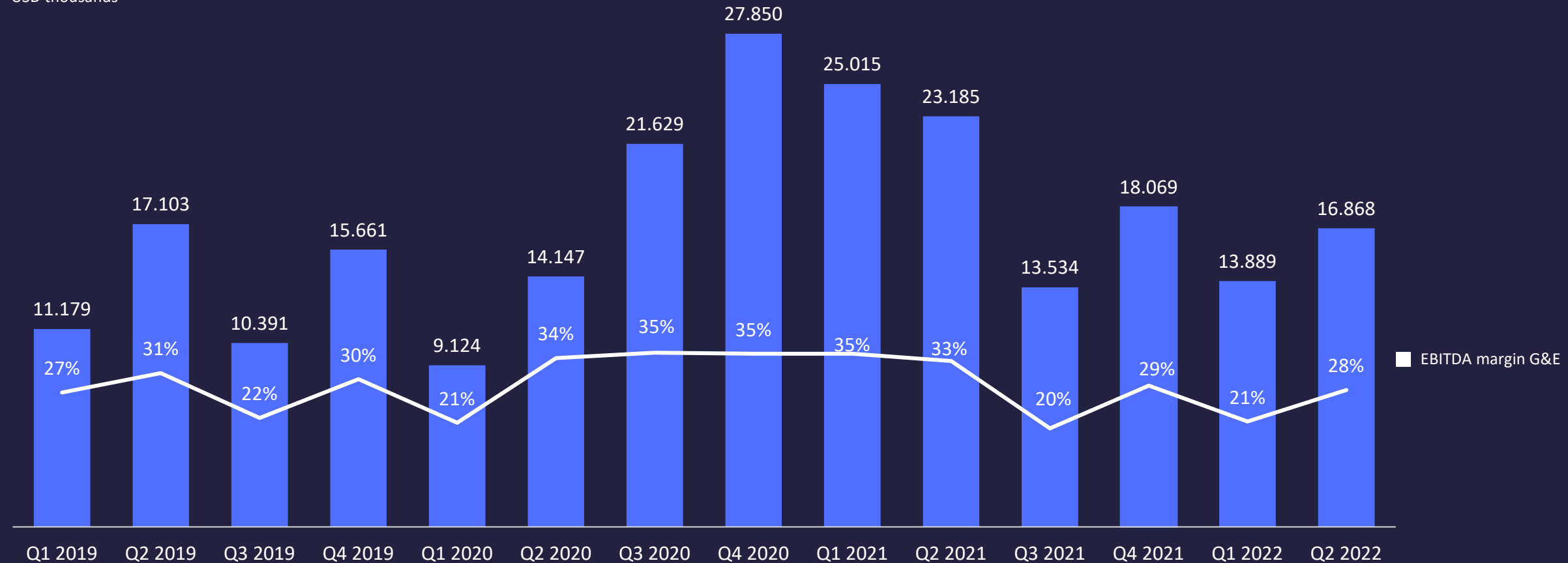
Goal	Strategy	Development and Outlook
Maintain Data center position and create a sustainable and profitable business over time	<ul style="list-style-type: none">• Influence the influencers and support adoption of latest EU proposals into legislation for climate gains from reusing waste heat on the way towards carbon neutrality• Leverage existing technology and investments to gain position in the general Data center market	<ul style="list-style-type: none">• Global sustainability agenda strengthens rationale for Asetek's data center solution over times• Positive impact from direct engagement with the EU with current "Green Deal" proposals favoring liquid cooling• Market adoption of liquid cooling will remain slow until adoption of the proposed Green Deal legislation has been decided• Prepared and positioned for a potential shift in demand driven by adoption of the proposed legislation• Sharpening Data center business segment and stop investments in HPC niche to improve profitability• General Data center business segment to be main priority going forward

Financials

Revenue and EBITDA margin reflect market volatility

Group revenue and G&E EBITDA margin

USD thousands



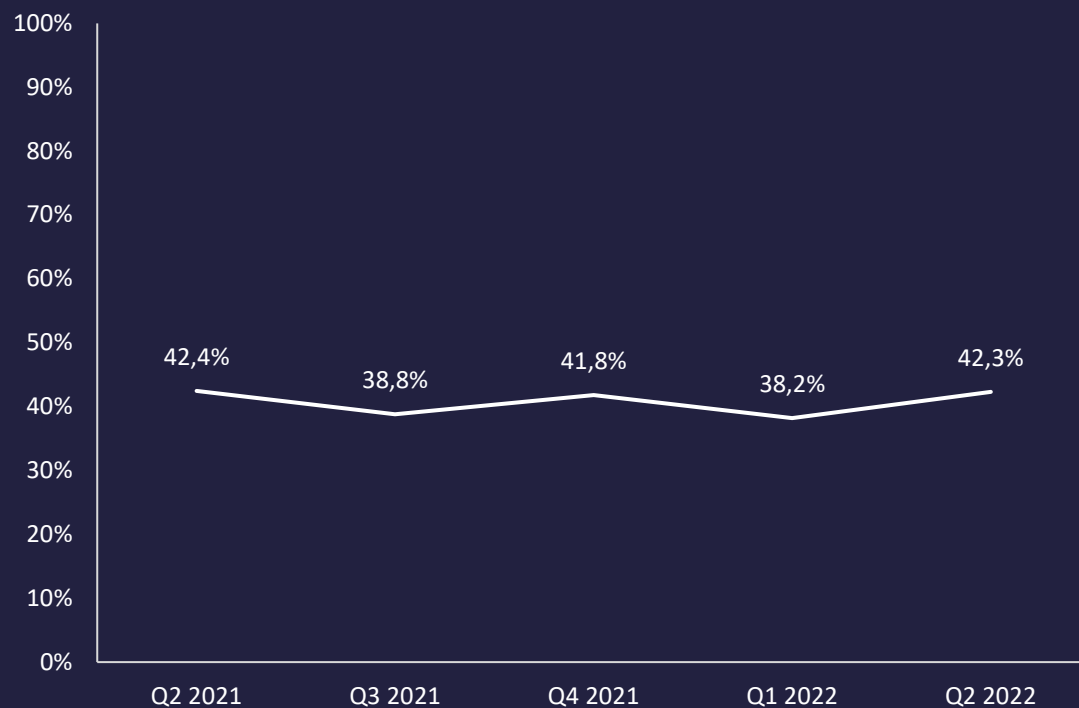
Income statement

Figures in USD (000's)	Q2 2022	Q2 2021	1H 2022	1H 2021	2021
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 16,868	\$ 23,185	\$ 30,757	\$ 48,200	\$ 79,803
Cost of sales	9,730	13,344	18,313	27,628	46,430
Gross profit	7,138	9,841	12,444	20,572	33,373
Research and development	1,253	1,646	2,333	3,496	7,092
Selling, general and administrative	5,620	6,284	11,788	11,631	24,503
Special items	-	-	-	-	1,713
Other expense (income)	119	-	119	-	(714)
Total operating expenses	6,992	7,930	14,240	15,127	32,594
Operating income	146	1,911	(1,796)	5,445	779
Foreign exchange (loss) gain	710	(238)	840	296	832
Finance income (costs)	(37)	(47)	(82)	(99)	(214)
Total financial income (expenses)	673	(285)	758	197	618
Income before tax	819	1,626	(1,038)	5,642	1,397
Income tax (expense) benefit	(145)	(272)	(279)	(1,162)	(60)
Income for the period	674	1,354	(1,317)	4,480	1,337
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	(1,599)	440	(2,032)	(772)	(1,709)
Total comprehensive income	\$ (925)	\$ 1,794	\$ (3,349)	\$ 3,708	\$ (372)
Income per share (in USD):					
Basic	\$ 0.03	\$ 0.05	\$ (0.05)	\$ 0.17	\$ 0.05
Diluted	\$ 0.03	\$ 0.05	\$ (0.05)	\$ 0.17	\$ 0.05

- Q2 and H1 revenue reflect reduced shipments of Gaming & Enthusiast products compared to same period last year
 - Sales of 253,000 sealed loops in Q2 (-42%) and 485,000 in 1H (-43%)
 - Unit ASP increased for both periods
- Shipments of G&E products impacted by component shortages, supply chain challenges, inventory de-stocking and softer end-user demand
 - Partly offset by revenue from initial SimSports products
- Operating expenses reduced compared to 2021
 - Staff reductions
 - DKK/USD FX rate beneficial to operating expenses to date in 2022

Margin development

Quarterly Group gross margin development

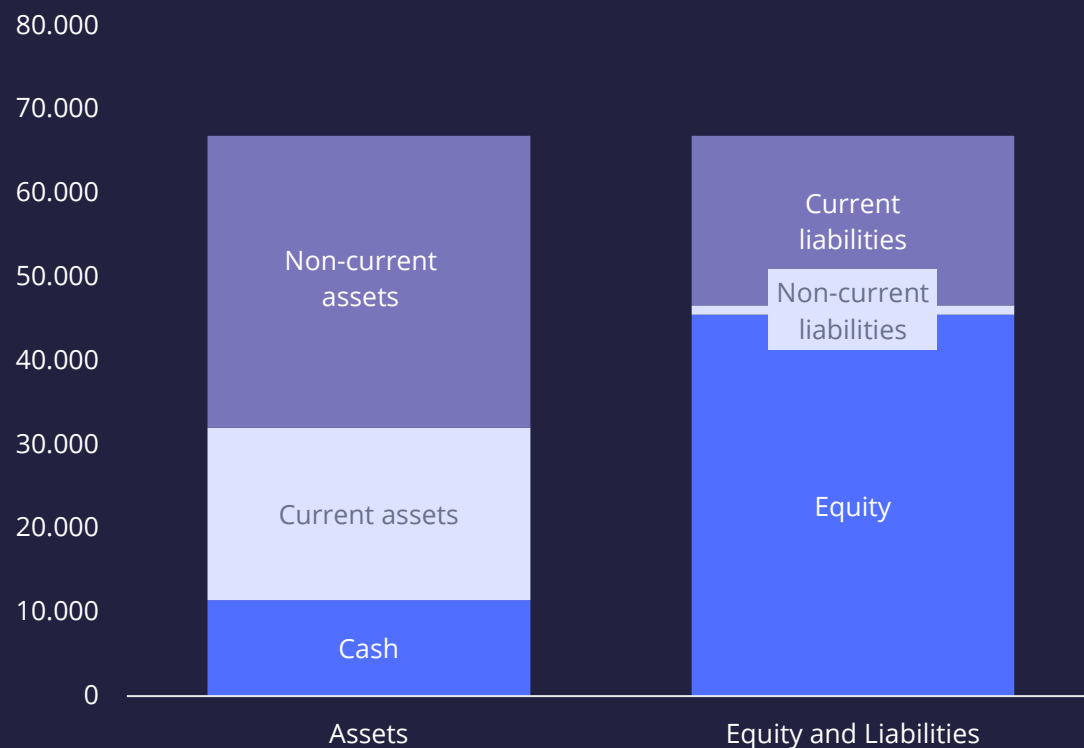


- Q2 2022 gross margin of 42.3% vs. 42.4% in Q2 2021
- H1 2022 margin of 40.5% (42.7%) reflects higher component costs, unfavorable exchange rates, higher shipping costs and a change in product mix

Balance sheet

Balance sheet

USD thousands at June 30, 2022



- Recent cash position change primarily reflects reduction to accounts payables in Q1
- Q2 2022 debt draw-down to finance new HQ
- Solid and attractive partner for OEM customers
- Flexibility to develop and defend IP
- Platform for expanding gaming product portfolio
- Ambition to distribute cash surplus over time subject to change of current tax situation

Development of new HQ progressing to plan

- On scheduled for completion in mid-2024
- Limited cost inflation due to locking in deliveries early
- Construction financing in place – final financing to be executed post completion
- Potential to take in additional tenants following downsizing of own organization



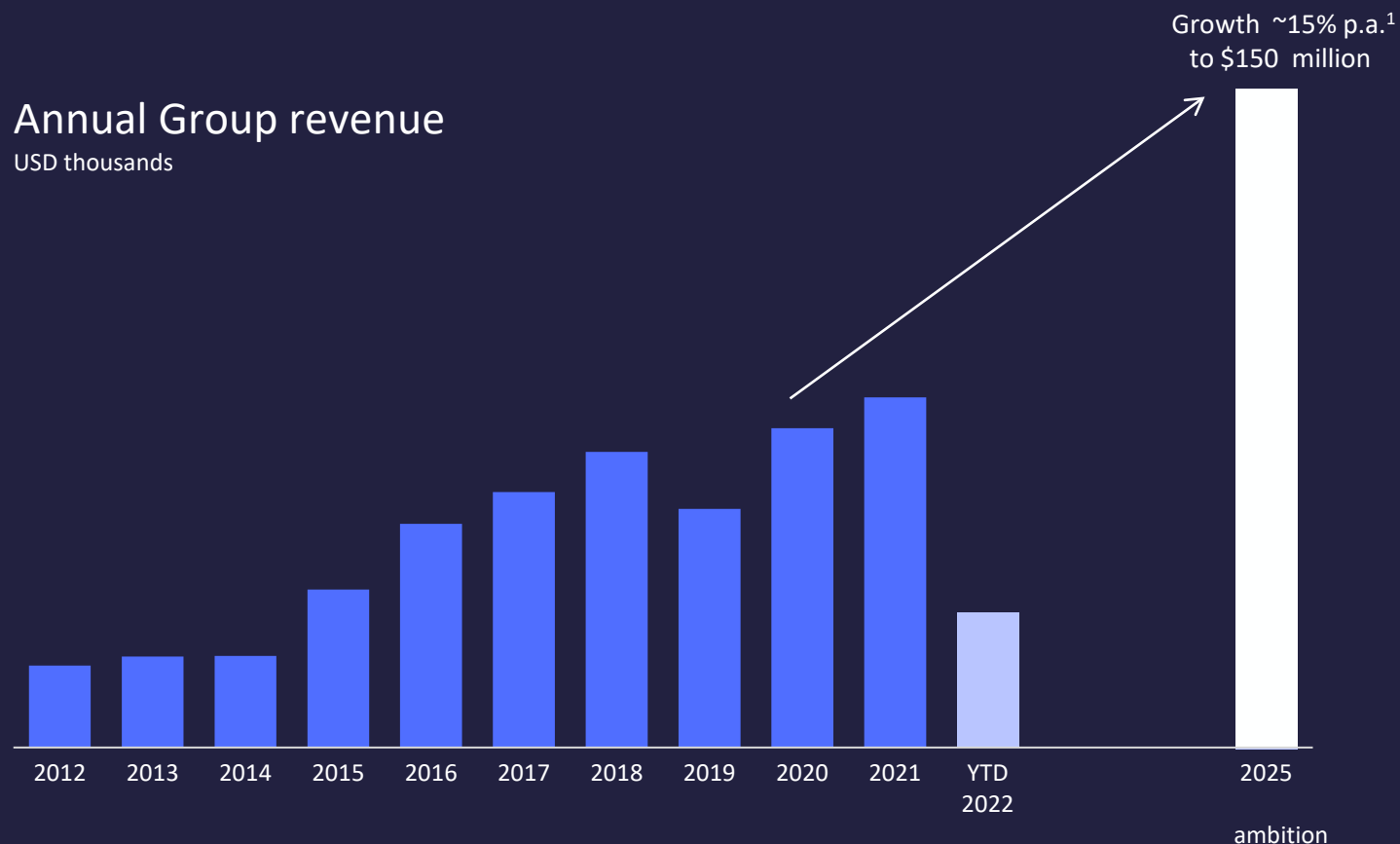
Financial strategy



Summary and outlook

- Challenging market with limited visibility for second half of 2022 and beyond
- Optimizing cost base and driving efficiencies to emerge as a stronger company when market conditions normalize
- Focus on expanding SimSports offering with more products in 2022 and 2023
- Long-term growth target of an average of approximately 15% per annum maintained
 - Like in the past - some years growth may exceed the average, and in other years it may be lower

Annual Group revenue
USD thousands



Q&A

Appendix

Management



Founder and CEO
André S. Eriksen

- Long-term entrepreneur and founder of Asetek
- Previously employed at Danfoss in their management trainee program
- Holds an engineering degree from Aalborg University
- Several MBA level executive management programs from Right, Stanford, MIT and Wharton



CFO
Peter Dam Madsen

- Previous positions include International Controller (DK) and Chief Financial Officer (US) at Martin Professional, Inc.
- Also served as CFO of Dantax Radioindustri A/S listed on the Copenhagen Stock Exchange
- MBA from Fort Lauderdale Metropolitan University



COO
John Hamill

- 30+ years of high tech industry sales, sales management and marketing experience
- Previously held position as VP of Global Sales at nVidia and AMD
- Has managed global sales teams
- BSc in Electronics and Electrical Engineering from the University of Glasgow in Scotland



VP Global Operations
Henrik Gertz

- 20+ years in operations management roles, where he managed fulfilment, logistics, manufacturing planning, procurement, and supply chain functions
- He became a machine fitter at ABB and then studied and earned his Production Technologist degree, and a Diploma in Management



VP Global Sales
Jamie Jamieson

- 10 years+ global liquid cooling sales and management experience
- Prior to becoming VP, he was Senior Director of Sales at Asetek, and has held business development positions at CIARA and CoolIT Systems.
- Studied Sociology and Eastern Religious Studies at the University of Calgary in Canada



VP Global R&D
Thomas Ditlev

- 15+ years of experience with Vestas and Grundfos he has an intimate background in sophisticated pumping and cooling systems designed for global markets
- M.Sc.EE degree from Aalborg University as well as an EMBA in Business Psychology from Business Institute in Aalborg



Director Branding and Outbound Marketing
Solveig Malvik

- Extensive international experience within branding, marketing, communication and business development
- Holds an M.A. in Modern Middle Eastern Studies, Public Policy and Governance from A.U. of Beirut and a Masters in Political Science and Public Administration from the University of Bergen



Director, Global Product Management
Brian Park

- 15+ years experience in defining and executing winning product strategies across industries
- Various senior product management and product marketing roles within the Solar, Building Construction and Semiconductor industries
- Holds a B.S. in Chemical Engineering and a B.S. in Material Science both from the University of California, Berkeley as well as an MBA from the University of California, Davis

Board of Directors



Chairman
Jukka Pertola

- 20+ years of management experience in ICT, energy, industry, infrastructure and healthcare sectors
- 10+ years of international experience in board positions at private and public companies and organizations
- Solid technological background in telecommunications, IT, digitalization and electrical engineering
- Experience in R&D funding and technology transfer projects



Vice Chairman
Erik Damsgaard

- Experienced Managing Director from the electrical and electronic manufacturing industry
- 20 years as leader at OJ Industries in the HVAC and Floor heating industry. He is also Chairman of Danish service and distributor company Masentia A/S and Masentia Holding AB
- Holds M.Sc. in Electronics and a diploma in Business Economics, both from Aarhus University. Has graduated an Executive Management Program at INSEAD



Director
Jørgen Smidt

- 25+ years of international operational and business management experience from the mobile telecoms industry, including Nokia and Motorola
- Experience includes investment and international marketing, market positioning and communication strategies
- Currently a partner at Sunstone Technology Ventures Fund I
- Holds an engineering degree in computer science from the Engineering College of Copenhagen



Director
Maria Hjorth

- 20+ years of consulting and financial sector experience covering business development, M&A, investor relations and operational optimization
- Professional board member
- MSc and BSc in Economics from University of Copenhagen and a MSc in Business Psychology from University of Westminster in London



Director
Maja Sand-Grimnitz

- Experienced marketing leadership and business growth professional
- Expertise in growing brands and businesses through strategy, process development and implementation
- Experience from Sport & Entertainment, tech, FMCG and finance
- Currently a Director, Brand Management & Global Gaming Marketing at EPOS Group

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Balance sheet

Figures in USD ('000's)	30 June 2022	31 Dec 2021
	<i>Unaudited</i>	
ASSETS		
<i>Non-current assets</i>		
Intangible assets	\$ 11,505	\$ 10,938
Property and equipment	17,096	11,732
Deferred income tax assets	5,899	6,293
Other assets	330	362
Total non-current assets	34,830	29,325
<i>Current assets</i>		
Inventory	5,218	5,532
Trade receivables and other	15,403	17,201
Cash and cash equivalents	11,428	23,296
Total current assets	32,049	46,029
Total assets	\$ 66,879	\$ 75,354
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 444	\$ 442
Retained earnings	57,232	58,077
Translation and treasury share reserves	(12,163)	(10,131)
Total equity	45,513	48,388
<i>Non-current liabilities</i>		
Long-term debt	1,133	1,540
Total non-current liabilities	1,133	1,540
<i>Current liabilities</i>		
Short-term debt	5,572	1,703
Accrued liabilities	1,672	3,157
Accrued compensation & employee benefits	1,395	2,074
Trade payables	11,594	18,492
Total current liabilities	20,233	25,426
Total liabilities	21,366	26,966
Total equity and liabilities	\$ 66,879	\$ 75,354

Cash flow statement

Figures in USD ('000's)	1H 2022	1H 2021	FY 2021
	Unaudited	Unaudited	
Cash flows from operating activities			
Income for the period	\$ (1,317)	\$ 4,480	1,337
Depreciation and amortization	1,979	1,933	3,750
Gain on sale of property, plant and equipment	-	-	(688)
Special items	-	-	1,713
Finance income recognized	-	(1)	(2)
Finance costs recognized	82	99	216
Finance income, cash received	-	1	2
Finance costs, cash paid	(53)	(59)	(141)
Income tax expense	279	1,162	60
Cash receipt (payment) for income tax	(117)	(228)	(446)
Share based payments expense	257	542	981
Changes in trade receivables, inventories, other assets	649	5,173	2,957
Changes in trade payables and accrued liabilities	(7,781)	(2,784)	4,578
Net cash provided by (used in) operating activities	(6,022)	10,318	14,317
Cash flows from investing activities			
Additions to intangible assets	(1,985)	(4,744)	(5,974)
Purchase of property, plant and equipment	(6,966)	(4,537)	(8,322)
Disposal of property, plant and equipment	-	-	1,092
Net cash used in investing activities	(8,951)	(9,281)	(13,204)
Cash flows from financing activities			
Funds drawn (paid) against line of credit	4,050	(64)	260
Repurchase of common shares	-	(3,581)	(4,833)
Proceeds from issuance of share capital	216	725	865
Principal payments on capitalized leases	(416)	(425)	(928)
Net cash provided by (used in) financing activities	3,850	(3,345)	(4,636)
Effect of exchange rate changes on cash and cash equivalents	(745)	(60)	(280)
Net changes in cash and cash equivalents	(11,868)	(2,368)	(3,803)
Cash and cash equivalents at beginning of period	23,296	27,099	27,099
Cash and cash equivalents at end of period	\$ 11,428	\$ 24,731	23,296
Supplemental disclosures -			
Assets acquired under leases	56	-	108
Shares issued for purchase of assets	-	4,222	4,222

Statement of equity

Unaudited Figures in USD (000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
Equity at January 1, 2022	\$ 442	\$ 1,075	\$ (11,206)	\$ 58,077	\$ 48,388
Total comprehensive income – six months ended June 30, 2022					
Income for the period	-	-	-	(1,317)	(1,317)
Foreign currency translation adjustments	-	(2,032)	-	-	(2,032)
Total comprehensive income - six months ended June 30, 2022	-	(2,032)	-	(1,317)	(3,349)
Transactions with owners - six months ended June 30, 2022					
Shares issued for options exercised	2	-	-	214	216
Share based payment expense	-	-	-	258	258
Transactions with owners – six months ended June 30, 2022	2	-	-	472	474
Equity at June 30, 2022	\$ 444	\$ (957)	\$ (11,206)	\$ 57,232	\$ 45,513
Equity at January 1, 2021	\$ 433	\$ 2,784	\$ (6,373)	\$ 50,681	\$ 47,525
Total comprehensive income – six months ended June 30, 2021					
Income for the period	-	-	-	4,480	4,480
Foreign currency translation adjustments	-	(772)	-	-	(772)
Total comprehensive income – six months ended June 30, 2021	-	(772)	-	4,480	3,708
Transactions with owners – six months ended June 30, 2021					
Shares issued for purchase of assets	6	-	-	4,216	4,222
Shares issued for options exercised	1	-	-	724	725
Shares repurchased	-	-	(3,581)	-	(3,581)
Share based payment expense	-	-	-	542	542
Transactions with owners – six months ended June 30, 2021	7	-	(3,581)	5,482	1,908
Equity at June 30, 2021	\$ 440	\$ 2,012	\$ (9,954)	\$ 60,643	\$ 53,141



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