



## **Asetek – Q3 2024: Soft quarter as expected – continued strong progress in SimSports**

- Q3 revenue of \$12.2 million, compared with \$20.5 million in Q3 2023
- Gross margin of 36%, compared with 46% in Q3 2023, due to supply chain quality issue that has since been rectified
- Q3 EBITDA adjusted of (\$0.5) million compared with \$4.8 million in Q3 2023
- Net income is impacted by \$18 million of non-cash write downs and \$0.8 million U.S. tax cost
- Year-to-date revenue of \$37.1 million and adjusted EBITDA of (\$0.3) million, compared with \$59.7 million and \$13.7 million in the same periods of 2023, respectively
- SimSports with significant commercial progress, signing Designed for Xbox partnership and distribution agreements yielding \$2 million in Q4 revenue
- Seek to strengthen the Company's financial position through a rights issue of minimum \$15 million (gross proceeds) expectedly in Q4 2024 or Q1 2025
- Group revenue expectation for 2024 maintained at \$52 to \$55 million with an expected adjusted EBITDA margin of 1% to 4%

Asetek reported third-quarter revenue of \$12.2 million compared with \$20.5 million in the same period of 2023. Revenue for the first nine months was \$37.1 million compared with \$59.7 million in the same period of 2023. The change in both periods reflects fewer shipments of liquid cooling products, partly offset by an increase in shipments of SimSports products.

Gross margin was 36% for the third quarter and 42% for the first nine months, compared with 46% and 45% in the respective periods of 2023. The change in gross margin reflects the write-off of certain inventory that was adversely affected by a supply chain quality issue that has since been rectified.

“Our SimSports business experiences strong traction with new acclaimed products, new strategically important distribution agreements and a clear pathway to millions of new simulation gamers in the console market. We are also taking action to stabilize the Liquid Cooling business and position for future growth with a lower cost base and a wider offering addressing the changing market preferences,” says André S. Eriksen, the CEO of Asetek.

Adjusted EBITDA was (\$0.5) million in the third quarter of 2024, compared with \$4.8 million in the third quarter of 2023. Adjusted EBITDA in the first nine months was (\$0.3) million compared with \$13.7 million in the same period of 2023.

Operating expense excluding special items was \$19.9 million in the first nine months, an increase from the same period of 2023, though expenses are trending downward from prior quarter due to the initiation of cost reductions and right sizing the organization. In the first nine months, depreciation and amortization was \$3.9 million and share-based compensation amounted to \$0.3 million.

The Company recorded a mandatory non-cash impairment charge of \$18 million on its balance sheet, reflecting accounting write-downs to match booked equity towards share-price

based valuation models. The impairment impacts the new HQ and deferred income tax assets, being the largest assets on the balance sheet, and is split by USD \$13.8 million to the HQ and \$4.2 million to deferred income tax assets. The Company also recorded inventory charges of \$0.8 million related to the supply chain quality issue and an unexpected income tax liability of \$0.8 million related to U.S. tax due associated with international income reported in its 2023 tax return.

In the first nine months of 2024, the Company invested \$7.4 million in property and equipment, including construction of its new headquarters facility which was completed and is now occupied by the Company. The Company drew \$4.8 million on construction credit lines in the first nine months and on July 1 renegotiated the terms of its bank financing to update covenants and extend the facilities to April 1, 2026. Asetek invested \$1.7 million in capitalized costs for the development of new products in the first nine months of 2024.

The results in the nine months of 2024 have shown that the measures initiated by the Company to right-size the organization and management announced in August 2024 are not sufficient to satisfy the Company's working capital and its ambition to continue investments in the SimSports segment, as outlined in the Company's adjusted medium-term ambitions announced 7 November 2024.

In order to achieve the medium-term ambitions, Asetek expects a financing need as of today of around USD 20 million during the medium term, which includes the capital to strengthen the Company's financial position in the short term. As a significant share of the capital will be invested over multiple years, the Company will evaluate its options on how to obtain the financing amount, including as part of the contemplated rights issue as announced on 7 November 2004, which is contemplated to cover at least USD 15 million (gross proceeds) of the required capital, future share issues or debt issuance as well as the timing of these.

At September 30, 2024, total assets were \$78.9 million (\$102.7 million at December 31, 2023) and total equity was \$41.2 million (\$66.1 million). Working capital at September 30 was \$5.3 million (negative \$3.2 million at December 31, 2023) including \$3.4 million of cash and cash equivalents (\$9.1 million).

Following a weaker than expected development in the Liquid Cooling segment, the earnings covenant related to the Company's loan agreements with its bank is in breach. The Company is in close dialogue with the bank regarding the matter. In connection with the contemplated rights issue, the Company expects the loan agreements, including covenants, to be renegotiated and continued.

## **OPERATIONS**

In the third quarter, the Company shipped 197 thousand sealed loop coolers compared with 329 thousand in the third quarter of 2023. Various new SimSports accessories and five new liquid cooling products began shipping in the quarter, two of which feature the newest 8th generation cooling technology. In the fourth quarter of 2024, 13 new liquid cooling products are expected to begin shipping, as well as one new SimSports product.

In October 2024, the Company launched the high-performance Invicta Steering Wheel, Asetek's most advanced wheel to date, delivering an immersive, realistic experience for sim-racers. The lightweight wheel made of aluminum and carbon fiber offers a touch screen dashboard and includes many features which are fully customizable for users to tailor to their style and comfort.

Also in October, Asetek took several steps to expand its SimSports distribution. The Company signed a Designed for Xbox partner agreement to offer new and selected existing products available for millions of gamers worldwide on Xbox Series X|S and Xbox One. Asetek signed a partner agreement with Podium 1, a fast-growing builder of racing simulators in the US and entered a distribution agreement simulator gaming specialist Pagnian Imports Pty for the Australian and New Zealand markets.

The Company appointed Maja Sand-Grimnitz as vice president (VP) Brand and Digital, and Henrik Lindskou-Mouritsen as VP Global Sales, strengthening the commercial profile of the management group.

## **OUTLOOK**

Asetek maintains its revenue and profitability outlook for 2024 that was communicated on July 1. Group revenue is expected in the range of \$52 to \$55 million, with an adjusted EBITDA margin of 1% to 4%. The revenue expectation implies a decrease of 28% to 32% compared to 2023. The revenue outlook includes recognition of approximately \$2 million of SimSports revenue as part of the partnership agreements signed in October. During the third quarter, Asetek 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.

## **MID-TERM AMBITIONS**

For the Liquid Cooling segment, the Company aims to reach a revenue of USD 50 million towards the end of the medium term. The Company believes that it will likely experience a negative single-digit growth rate in 2025 before positive revenue growth rates will return from 2026 and onwards. Further, the Company aims to consistently achieve an adjusted EBITDA Margin of +25% in the medium term for the Liquid Cooling segment.

For the SimSports segment, the Company aims to reach a revenue of USD +50 million and continuously improve the adjusted EBITDA Margin and reach a positive, single-digit adjusted EBITDA margin towards the end of the medium term.

The medium-term ambitions are based on a number of assumptions related to future sales and costs. The Company assumptions regarding future sales are highly uncertain and to a large extent outside of the Company's control. The Company will to a larger degree be able to postpone planned cost increases or reduce previously increased costs, and the Company will continuously evaluate the need to do so.

## **CONFERENCE CALL AND WEBCAST**

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present the Company's results today at 10:00 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:**

All participants wishing to join the webcast are required to pre-register using the following link: <http://events.q4inc.com/attendee/650198685>

### **Conference call – audio only:**

All participants wishing to join via conference call are required to register in advance using the following link: <http://registrations.events/direct/Q4I163937>

The third quarter earnings release and presentation will be made available online at [www.asetek.com](http://www.asetek.com), as well as through news agencies. A recorded version of the presentation will be made available at [www.asetek.com](http://www.asetek.com) shortly 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), 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](http://www.asetek.com)