



Asetek – Q1 2025: Liquid cooling on track, soft start to year for SimSports

- Q1 2025 revenue of \$9.8 million, compared with \$12.2 million in Q1 2024
- Gross margin of 44%, level with Q1 2024
- Q1 adjusted EBITDA of (\$306) thousand compared with (\$37) thousand in Q1 2024
- SimSports revenue of \$1.1 million, a decline from \$2.2 million in Q1 2024, following soft demand after high year-end 2024 activity
- Completed rights issue in January 2025 raising \$10.4 million net proceeds to strengthen financial position
- Full year 2025 outlook reduced due to lowered SimSport segment revenue expectations – Group revenue expected in the range of \$45 to \$53 million with adjusted EBITDA at 0% to 3%

Asetek reported first-quarter revenue of \$9.8 million, compared with \$12.2 million in the same period of 2024. The change from last year reflects principally a lower average selling price on liquid cooling products, resulting from a recent shift in the market toward increased demand of more affordable gaming PC's with value based liquid coolers. Gross margin was 44% for the first quarter, level with the same period of 2024.

"The Liquid Cooling business is on track as the volume impact from two OEMs moving to dual sourcing is already offset by increased demand from all other customers, showing that the demand for Asetek's quality products is intact, despite customers moving to lower ASP products, with strong margins maintained. SimSports demand was soft during the quarter, reflecting the strong end to 2024, with several shipments delayed into late Q1 2025 due to global logistics challenges, as well as weaker consumer spending amid heightened macroeconomic uncertainties," says André S. Eriksen, the CEO of Asetek.

"It is too early to predict the long-term impact of the import tariff scheme introduced by the U.S. in early April. The duties are industrywide and create uncertainties across the value chain from manufacturers to end-users. For now, it has effectively shut down the U.S. market for our sim racing equipment, while we, at least for now, experience more resilience in the Liquid Cooling segment. We focus on what we control and believe we have a good relative competitive position with a growing share of production outside China and a lowered cost base," Eriksen continues.

Total operating expenses decreased 9% to \$6.1 million in the quarter, from \$6.7 million in the same period of 2024. Personnel costs declined by 12%, reflecting the ongoing rightsizing of the organization. Adjusted EBITDA was negative \$306 thousand and operating loss was \$1.8 million in the quarter, both compared with adjusted EBITDA of negative \$37 thousand and operating loss of \$1.4 million in the first quarter of 2024.

To strengthen the Company's financial position and enable continued investments in the SimSports segment, Asetek completed an equity rights offering in early January, raising net proceeds of \$10.4 million through the issuance of 219.9 million new common shares. In the quarter, over \$3 million of the proceeds were used to settle accrued liabilities and debt.

At March 31, 2025, total assets were \$83.3 million (\$79.4 million at December 31, 2024) and total equity was \$50.9 million (\$41.1 million). Working capital at March 31 increased to \$13.1

million (\$4.4 million at December 31, 2024) including \$9.0 million of cash and cash equivalents (\$3.3 million).

OPERATIONS

In the first quarter, the Company shipped 171 thousand sealed loop coolers compared with 172 thousand in the first quarter of 2024. In the quarter, 5 new SimSports products and 11 new liquid cooling products began shipping. In the second quarter of 2025, about 10 new liquid cooling products are expected to begin shipping, as well as 4 new SimSports products.

In March, Asetek announced the launch of its Next-Gen collection of SimSports offerings, a dynamic range of options including new variants of its popular steering wheels, release of the Dished Suede Rim for enhanced steering control and grip, and re-launch of its Invicta pedals with an advanced hydraulic brake cylinder that replicates the sensation of a real race car. Products will be available for customers from the second quarter of 2025.

As previously communicated in the prospectus issued in connection with Asetek's rights issue at the end of 2024, Asetek has received an indication of interest concerning its Liquid Cooling business. Such interest has increased in relevance, and discussions are taking place with multiple parties related to a potential partnership focused on utilization of the currently dormant data center related liquid cooling asset portfolio. Discussions are ongoing, and no agreements, terms or commitments have been entered into by the Company at this stage, and it is uncertain whether any formal agreements will materialize.

US TARIFFS

The U.S. administration announced a new baseline 10% import tariff on goods from all countries, along with higher reciprocal tariffs for selected countries, most significantly on products made in China. With limited exceptions, these broadly applied measures impact the entire value chain for Asetek and its industry peers.

EXPECTATIONS FOR 2025

On April 25, Asetek updated its revenue outlook for the SimSports segment for the full year 2025. Revenue for the SimSports business segment is now expected to be in the range of \$5 to \$10 million, with the previously communicated gross margin guidance of 30–35% expected to decrease to 28–33%. The prior revenue guidance for the SimSports segment indicated an expected revenue in the range of \$12 to \$15 million in 2025.

Guidance for the Liquid Cooling segment remains unchanged, based on present discussions with the majority of the Company's key Liquid Cooling customers, who have confirmed that, at present, no changes are being made to their purchasing plans. Given the high level of uncertainty, Asetek remains committed to maintaining regular and proactive communication with all customers to promptly identify and implement any necessary measures should conditions change.

As a result, total group revenue for 2025 is now expected to be in the range of \$45 to \$53 million, compared to the previous guidance of \$52 to \$58 million. The Group's adjusted EBITDA margin is now expected to be in the range of 0–3%, revised from the previous guidance of 3–5%.

The adjusted outlook mainly reflects the impact of tariffs implemented to date by the U.S. government on imports from other countries, most significantly related to products made in China. In 2024, approximately 50% of total revenue in the SimSports segment was derived from sales to the U.S. market. Due to the tariffs, Asetek has ceased all SimSports shipments to the U.S. as well as major U.S.-based consumer electronics retailers have ceased purchasing from China, which effectively means that, at present, no sales are being made to the U.S. market. The updated full-year revenue guidance for the SimSports business segment also reflects the above-mentioned soft start to 2025.

Asetek continues to focus on factors within its control. In 2024, approximately two-thirds of the Company's production was based in China and one-third in Malaysia. The sim racing products are currently made in China while manufacturing of liquid coolers is split between both countries. In response to potential additional tariffs on Chinese goods, Asetek began expanding its production capacity in Malaysia late last year. This geographic diversification provides Asetek with a relative advantage over competitors with greater exposure to China-based manufacturing.

CONFERENCE CALL AND WEBCAST

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present the Company's results today at 1:30 pm 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:

All participants wishing to join the webcast are required to pre-register using the following link:

<http://events.q4inc.com/attendee/625030454>

Registration must be completed before the event starts.

Q&A: questions can be submitted through the online webcast during the presentation.

The first quarter 2025 earnings release and presentation are available online at ir.asetek.com, as well as through news agencies. A recorded version of the presentation will be made available at ir.asetek.com shortly after the presentation has concluded.

For questions or further information, please contact:

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About Asetek

Asetek (ASTK), is a developer and manufacturer of high-quality gaming hardware. Founded in 2000, Asetek established its innovative position as the leading OEM developer and producer of the all-in-one liquid cooler for 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 and Taiwan.