



Asetek – Q3 2019: Soft Quarter as Expected, Executing Gaming and Enthusiast Strategy

- Q3 revenue of \$10.4 million compared with \$17.4 million in Q3 2018
- Gross margin of 42% in Q3 and YTD, level with Q3 2018 and improved from 38% in the first nine months of 2018
- Q3 EBITDA adjusted of \$32,000, compared with \$3.0 million in Q3 2018
- First nine months revenue of \$38.7 million and EBITDA adjusted of \$3.6 million compared with \$50.8 million and \$6.8 million respectively in 2018
- Cash increased \$7.6 million year-to-date, compared with \$0.4 million in same period of 2018
- Q4 Gaming and Enthusiast revenue is expected to increase compared with Q3 2019 while decreasing vs. Q4 2018
- Q4 Gaming and Enthusiast gross margins expected to decline 2-3 %-points due to an inventory cleanout and a one-time final sell-out of an end-of-life product
- Group revenue expectation for 2019 maintained at decrease of approximately 20% compared with 2018, due to macroeconomic and industry headwinds reducing customer volumes in the second half of 2019

Asetek reported third quarter revenue of \$10.4 million compared with \$17.4 million in the third quarter of 2018. Revenue in the first nine months amounted to \$38.7 million compared with \$50.8 million in the same period of 2018. The change from the prior year reflects fewer shipments in the Gaming and Enthusiast segment, as expected in a softer market for PC's and components.

Gross margin for the third quarter and first nine months was 42%, level with the third quarter of 2018 and up from 38% in the first nine months of 2018. The current year gross margins reflect higher ASPs on Gaming and Enthusiast products and a stronger U.S. dollar

"We have a clear set of strategic priorities. We invest more in new and innovative Gaming and Enthusiast solutions which will underline that Asetek is the standard in liquid cooling and our branding program is gaining traction with both our OEM partners and end-users," said André Sloth Eriksen, CEO and founder of Asetek. "While economic and industry headwinds continue temporary buffet our industry, we focus on building the products and customer relationships which will drive long-term growth and value creation."

Operating loss was \$1.2 million and adjusted EBITDA was positive \$32,000 in the third quarter of 2019, compared with operating income of \$2.0 million and adjusted EBITDA of positive \$3.0 million in the third quarter of 2018.

Operating loss in the first nine months was \$0.1 million and adjusted EBITDA was positive \$3.6 million, compared with operating income of \$3.2 million and adjusted EBITDA of positive \$6.8 million in the same periods of 2018. Cash and cash equivalents increased by \$7.6 million in the first nine months of 2019 compared with \$0.4 million in the prior year period. Year-to-date operating expenses for 2019 included a positive effect of \$0.8 million related to a favorable patent litigation settlement. Adjusted EBITDA in the third quarter and first nine months of 2019 was favorably impacted by an accounting change to IFRS 16 Leases (see Note 2 to the Financial Statements).

Asetek's sixth generation (Gen6) high performance liquid coolers are powering an expanding range of premium gaming gear, including GIGABYTE's new AORUS CPU coolers and the ASUS Republic of Gamers (ROG) Strix LC RGB series. The 680LS all-in-one CPU cooler debuted in the new Talon gaming PC's built by custom hardware specialist Falcon Northwest. Asetek's Gen6 reliability, superior thermal performance, quiet operation and overclocking potential provide for the optimal gaming experience.

In August, Asetek launched coolnation.com, a community forum for gamers, as well as technology enthusiasts and DIY PC builders. The site serves as an online platform for educating and engaging with others in the gaming community. In September, the Company kicked off its first gaming tournament for the Danish eSports community, "CoolNation Master Counter Strike: Global Offensive".

Gaming and Enthusiast revenue was \$9.6 million in the third quarter, compared with \$16.1 million in the same period of 2018. Revenue in the first nine months was \$36.6 million, compared with \$47.6 million in the same period of 2018. Adjusted EBITDA was \$2.1 million for the quarter and \$10.1 million for the first nine months, compared with \$5.4 million and \$15.3 million in 2018, respectively, reflecting increased investment in the Gaming and Enthusiast segment in 2019, consistent with plans communicated at Asetek's capital markets update in March 2019.

Data center revenue was \$0.8 million in the third quarter, compared with \$1.3 million in the third quarter of 2018. Revenue in the first nine months was \$2.1 million, compared with \$3.2 million in the same period of the prior year. Adjusted EBITDA was negative \$0.9 million in the third quarter and negative \$3.5 million in the first nine months of 2019, both of which are an improvement from 2018 and reflect the Company's planned reduction of segment operating expenses in 2019.

Consistent with the prior quarter, the Group revenue expectation for the full year 2019 is a decrease of approximately 20% compared with 2018. Customer volumes in the second half of 2019 reflect reduced demand in the DIY market segment as a result of macroeconomic and industry headwinds. Based on current revenue and cost outlook, Asetek expects to report a pre-tax profit for 2019.

Conference call and webcast today Wednesday, 23 October at 8:00 AM CEST:

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present the Company's results at 8:00 AM 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 Q3 2019 results webcast via the following link: <https://edge.media-server.com/mmc/p/zqkn354h>

Conference call – audio only: Please dial in 5-10 minutes prior using the phone numbers and confirmation code below:

Copenhagen, Denmark:	+45 3272 8042
Oslo, Norway	+47 2396 0264

London, United Kingdom: +44 (0) 8445 7188 92
Paris, France: +33 (0) 1767 00794
New York, United States of America +1 631 5107 495
Confirmation code: 1265775

Material:

The third quarter report and presentation will also 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.

For questions or further information, please contact:

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About Asetek:

Asetek is the global leader in liquid cooling solutions for gaming and enthusiast PCs, data centers and servers. Founded in 2000, Asetek is headquartered in Denmark and has operations in California, Texas, China and Taiwan. Asetek is listed on the Oslo Stock Exchange (ASETEK.OL).

For more information, visit: www.asetek.com