



Asetek – Q4 2019: Revenue in Line With Expectations, Evolving Gaming and Enthusiast Business Model

- Q4 revenue of \$15.7 million compared with \$16.5 million in Q4 2018
- Gross margin of 43% in Q4 compared with 42% in Q4 2018
- Q4 EBITDA adjusted of \$2.6 million, level with Q4 2018
- Fiscal 2019 revenue of \$54.3 million and EBITDA adjusted of \$6.2 million compared with \$67.3 million and \$9.4 million, respectively in 2018
- Cash increased \$5.9 million in 2019 to \$24.5 million at year-end
- Asetek to supply data center liquid cooling solution to a global Server OEM's HPC product platform

Asetek reported fourth quarter revenue of \$15.7 million compared with \$16.5 million in the fourth quarter of 2018. Revenue for the full year 2019 amounted to \$54.3 million, in line with previously communicated expectations, compared with \$67.3 million in 2018. The fourth quarter change from the prior year reflects principally fewer shipments in the Data center market. The full year fluctuation reflects the uncertainties relating to U.S.-China trade relations, macroeconomic headwinds across other markets and one OEM customer's significant reduction in purchases affecting the Gaming and Enthusiast segment.

Gross margin was 43% and 42% in the fourth quarter and full year, respectively, up from 42% and 39% in respective periods of 2018. The increase reflects higher ASPs on Gaming and Enthusiast products and a stronger U.S. dollar.

"We delivered on our 2019 revenue expectations amid macro-economic and industry headwinds," said André Sloth Eriksen, CEO and founder of Asetek. "Going into 2020, we are focused on developing new and innovative Gaming and Enthusiast solutions and strengthening our brand position with OEM partners and end-users. In addition, we are evolving our business model around our core liquid cooling technology and IP to support long-term profitability."

Operating income was \$1.2 million and adjusted EBITDA was \$2.6 million in the fourth quarter of 2019, both level with respective periods of 2018.

Full-year operating income was \$1.0 million and adjusted EBITDA was \$6.2 million, compared with operating income of \$4.4 million and adjusted EBITDA of \$9.4 million in 2018. Cash and cash equivalents increased by \$5.9 million during 2019 compared with \$0.2 million in the prior year. Operating expenses for 2019 included a positive effect of \$0.8 million related to a favorable patent litigation settlement. Adjusted EBITDA in the fourth quarter and full year 2019 was favorably impacted by an accounting change to IFRS 16 Leases (see Note 2 to the Financial Statements).

In December, the Company began shipping its most advanced liquid cooling technology to date for gaming PC's and enthusiasts, the NZXT Kraken Z-3 series and X-3 series CPU coolers. Asetek's latest innovations include a new performance-engineered pump and cold plate, advanced temperature sensing, and quieter operation.

With the recent launch of its Ryzen 9 3950X processor, AMD recommended that enthusiasts utilize Asetek's powerful all-in-one coolers offered by partners such as ASUS ROG, NZXT and Thermaltake, for maximum performance and the best experience.

In January 2020, the Company announced that its InRackCDU™ Rack level direct to chip (D2C) liquid cooling solution has been chosen by a global Server OEM for an upcoming refresh of an existing server product platform targeting the HPC segment.

Gaming and Enthusiast revenue was \$15.2 million in the fourth quarter, compared with \$15.4 million in the same period of 2018. Full-year revenue was \$51.8 million, compared with \$63.0 million in 2018. Adjusted EBITDA was \$4.5 million for the quarter and \$14.6 million for the full year, compared with \$5.4 million and \$20.7 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 \$0.5 million in the fourth quarter, compared with \$1.1 million in the fourth quarter of 2018. Full-year revenue was \$2.5 million, compared with \$4.3 million in 2018. Adjusted EBITDA was negative \$0.7 million in the fourth quarter and negative \$4.3 million for the full year 2019, an improvement for both periods compared to 2018 and reflects the Company's planned reduction of segment operating expenses in 2019.

Asetek has recently evolved its business model for customers who want to customize their liquid coolers. This new model will over time reduce ASPs as Asetek delivers only the principal core technology with improved margins, while the customer adds their unique features with ancillary components. Reflecting the business model change, the effects of macro-economic headwinds and declining sales to one OEM customer, Asetek expects a decline in Group revenue of 5% to 10% in 2020 compared with 2019. Gross margin is expected to increase from 2019 and the Company expects a positive income before tax. Due to uncertainties regarding the effects of the coronavirus, its potential impact to Asetek's operating results is not included in the current financial outlook.

Conference call and webcast today Wednesday, 26 February at 8:30 AM CET:

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present the Company's results at 8:30 AM 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: Please join the Q4 2019 results webcast via the following link: <https://edge.media-server.com/mmc/p/mu4ufzqn>

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 72274
New York, United States of America: +1 631 5107 495
Confirmation code: 3965598

Material:

The fourth 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, the creator of the all-in-one liquid cooler, is the global leader for liquid cooling solutions for high performance gaming and enthusiast PCs, and environmentally aware data centers. Founded in 2000, Asetek is headquartered in Denmark and has operations in China, Taiwan and the United States. Asetek is listed on the Oslo Stock Exchange (ASETEK.OL). www.asetek.com