



Asetek – Q2 2020: Gross margin increase and raised full-year expectations

- Q2 revenue of \$14.1 million compared with \$17.1 million in Q2 2019
- Gross margin increased to 51% in Q2 and first half, from 42% in both prior year periods
- Q2 EBITDA adjusted of \$3.1 million, compared with \$3.3 million in Q2 2019 which included a \$0.8 million positive effect from a favorable patent litigation settlement
- First-half revenue of \$23.3 million and EBITDA adjusted of \$3.3 million compared with \$28.3 million and \$3.6 million respectively in 2019
- Collaboration with Hewlett Packard Enterprise (HPE) to deliver data center liquid cooling solutions for HPC and artificial intelligence applications
- 2020 Group revenue expectation updated in July to an increase of 5% to 15%, from a previously expected decrease, compared with 2019 revenue of \$54.3 million
- Gross margin is expected to increase from 2019 and Asetek expects an income before tax of about \$4 to \$5 million, up from \$1.5 million in 2019

Asetek reported second quarter revenue of \$14.1 million compared with \$17.1 million in the same period of 2019. First-half 2020 revenue was \$23.3 million compared with \$28.3 million in 2019. The change from prior year reflects Asetek's transition to a new business model and declining sales to one OEM customer. There was no significant impact from the COVID-19 pandemic on revenue, supply chain or overall operations during the quarter.

Gross margin was 51% for the second quarter and the first half, up from 42% in both comparable periods of the prior year, yielding a year-over-year increase in second-quarter gross profit. The gross margin increase reflects higher sales prices for Data center products, a stronger U.S. dollar, a richer product mix and Asetek's business model transition for Gaming and Enthusiast OEMs that customize their liquid coolers.

"We focus on developing innovative liquid cooling solutions for great end-user experiences, building strong relationships with our OEM partners and optimizing our business model to improve margins and drive long-term growth," said André Sloth Eriksen, CEO and founder of Asetek. "From late second quarter we experienced a step-change in demand for our Gaming and Enthusiast products which combined with increased margins for all product groups are expected to yield a substantial increase in revenue and profit for the full year."

Operating income totaled \$2.0 million and adjusted EBITDA was \$3.1 million in the second quarter of 2020, compared with operating income of \$2.1 million and adjusted EBITDA of \$3.3 million in the second quarter of 2019. Operating expenses in the second quarter of 2019 included a positive effect of \$0.8 million related to a favorable patent litigation settlement. First-half 2020 operating income was \$1.1 million and adjusted EBITDA was \$3.3 million, compared with operating income of \$1.1 million and adjusted EBITDA of \$3.6 million in the same period of 2019.

In April, the Company announced a share buy-back program to offset employee option grants. The Company may purchase up to 1.0 million Asetek shares on the open market for a maximum cost of \$4.5 million through September 2020. In the second quarter, the Company repurchased 287 thousand shares under this program for a total cost of \$1.64 million.

At June 30, 2020, Asetek had working capital of \$28.1 million, of which \$24.8 million is cash and cash equivalents. Long-term debt totaled \$2.4 million.

In July, the Company announced collaboration with Hewlett Packard Enterprise (HPE) to deliver its premium data center liquid cooling solutions in HPE Apollo Systems targeting high performance computing and artificial intelligence applications.

During the quarter, Asetek announced its new Rad Card GPU Cooler, the industry's first slot-in PCIe radiator card to provide liquid cooling for GPU's in space constrained PC cases. Asetek announced its technology is powering the new Fractal Design Celsius+ CPU coolers, providing enthusiasts enhanced performance, virtually silent operation and elegant design.

During the quarter, the Company shipped \$0.8 million of InRackCDU™ on the largest order received to date from a certain OEM partner, to supply liquid cooling for a new high-density HPC cluster in North America.

On July 21, Asetek updated its full-year revenue outlook. Following increased sales expectations for the rest of 2020, primarily driven by strong demand for the Gaming and Enthusiast product group, the Group revenue expectation was updated to an increase of 5% to 15%, corresponding to between \$57.1 million and \$62.5 million, compared with 2019 revenue of \$54.3 million, from the previous expectation of a decline in revenue of 5% to 10% year over year. Gross margin is expected to increase from 2019, and Asetek expects an income before tax of about \$4 to \$5 million, compared with \$1.5 million in 2019.

The Company recognizes significant uncertainty related to potential impact from COVID-19 over time. Any such uncertainty is not included in the expectations for the remainder of 2020.

Conference call and webcast today Wednesday, 12 August at 11:30 CEST:

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present the Company's results at 11:30 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 Q2 2020 results webcast via the following link:
<https://edge.media-server.com/mmc/p/wdjy2yyg>

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:	5081646

Material:

The second quarter report and presentation will also be made available online at www.asetek.com (<https://ir.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 (<https://ir.asetek.com/>) approximately two hours 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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CFO Peter Dam Madsen, +45 2080 7200, email: investor.relations@asetek.com

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).

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