



# Q3 2022

3 November 2022



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# Q3 Highlights

- Third-quarter revenue of \$10.4 million compared with \$13.5 million in Q3 2021
- Gross margin of 42% compared with 39% in Q3 2021
- Q3 EBITDA adjusted of negative \$0.6 million improved from negative \$1.4 million in Q3 2021
- Nine-month revenue of \$41.2 million and EBITDA adjusted of negative \$0.2 million
- Quarterly OPEX reduced 35% YoY due to organizational rightsizing and favorable exchange rates
- Product development focus maintained with first shipments of next-generation liquid coolers and new SimSports products ready for pre-order in Q4 2022
- Full-year 2022 revenue expected in the range of \$50-\$52 million and an operating loss in the range of \$5-\$6 million

# Headwinds persist in gaming markets

## Macro situation

- Continued market challenges delaying a normalization of the business climate
- War in Ukraine, COVID-19, supply chain disruptions and US tariffs on Chinese exports
- Reduced discretionary consumer spending due to rising inflation and interest rates
- Worldwide PC shipments declined 15% in Q3 YoY on reduced demand and uneven supply, still above pre-Covid levels<sup>1</sup>

## Impact on industry and Asetek

- Reduced end-user demand for gaming products affect both Liquid cooling and SimSports business
- Reduced visibility due to higher volatility in forecasts provided by OEM customers
- OEM inventory reductions
- Full-year 2022 revenue expected in the range of \$50-\$52 million, implying Q4 revenue in line with Q3
- Operating loss expected for the year

## Company actions

- Maintaining focus on product development and launching new/more products
- Cost reduction initiatives implemented
- Continuous strengthening of supply chain capacity and capabilities
- Adjustment of product pricing in response to cost inflation
- Start of shipments from Malaysia expected in Q1 2023 in cooperation with existing contract manufacturers

1) Source: International Data Corporation (IDC) Worldwide Quarterly Personal Computing Device Tracker

# Cost reductions materializing

- Q3 2022 OPEX reduced 27% (excluding one-offs) YoY due to organizational rightsizing and favorable exchange rates
  - Lay offs and consolidation of selected functions
  - Favorable exchange rates contributed with about 10%
  - Annualized cost saving of \$6 million completed in H2 2022 with full effect from Q1 2023
- Legal settlement to reduce future litigation costs
  - Patent infringement lawsuit against CoolIT Systems and Corsair Gaming settled in Q4 2022
  - Legal costs have averaged \$3.3 million the past three years
  - Significant reduction expected from Q1 2023
  - Asetek to continue to defend IP

Development in quarterly OPEX run-rate



# Positioning to capture long-term potential

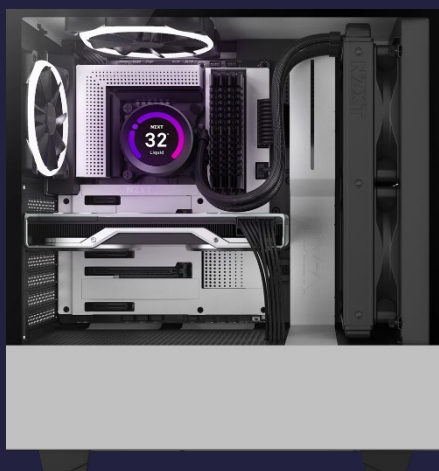
- High interest and positive end-user feedback for Liquid cooling and SimSports products
  - End-users demand new equipment and improved experiences within traditional gaming and SimSports
- Near-term business climate remains challenging
  - Current market challenges are industry-wide and temporary
  - Demand expected to recover once the current macro headwinds subside
- Focus on widening product program in 2022 and 2023
  - Capture the long-term growth potential
  - Be positioned to meet OEM customer and end-user demand when market normalizes





# Leading offering for gamers and enthusiasts

## Liquid cooling<sup>1</sup>



Enthusiasts and do-it-yourself (DIY)

Liquid cooling for Competitive and committed gamers and enthusiasts



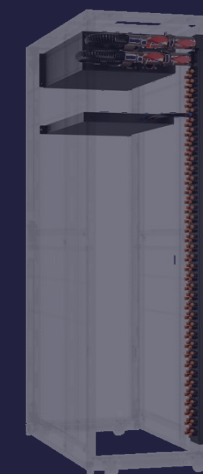
Gaming/Performance PCs

## SimSports



Immersive equipment for gamers, racing and automobile enthusiasts

## Data center



Liquid cooling for enterprises

Current focus

Future option

# Global platform with integrated value chain supports long-term growth



Strategic position: Large and long-term growing markets | Supplying global brands | Market-leading solutions

IP platform: Applications | Technology | Systems | Products | Patents | High-volume manufacturing | World-wide hub infrastructure

10 million units shipped | ~115 employees | FY'21 revenue of USD 80m | Listed on Oslo Stock Exchange



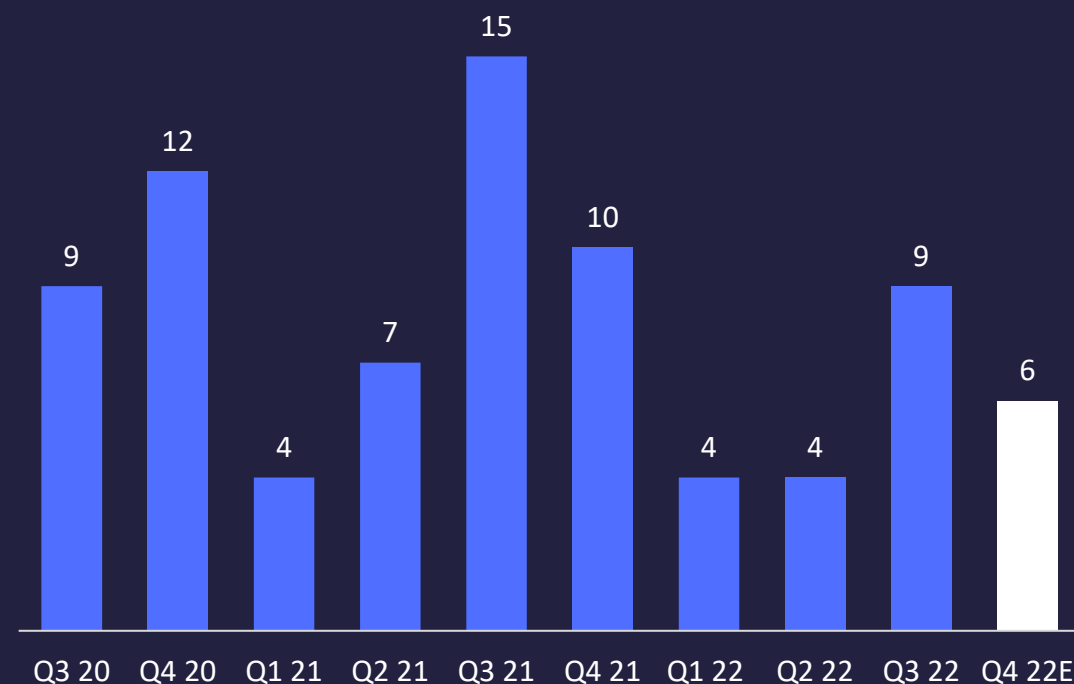


Liquid cooling

# Product development and release activity affected by current market uncertainties

- 9 new products started shipping in Q3 2022
  - 4 including Asetek’s 8<sup>th</sup> generation liquid coolers with the most advanced technology developed to date
  - Improved cooling, less power consumption and more quiet operations
- 6 new products estimated to start shipping in Q4 2022
  - Customers continue to assess timing of new products releases due to component availability and prices, as well impact from rising Interest rates and inflation on end-user demand
  - New product releases also impacted by excess channel inventories
- Investing in product development and branding to expand reach with key customers based on the core tenants of performance, quality and reliability

No. of liquid cooling products started shipping



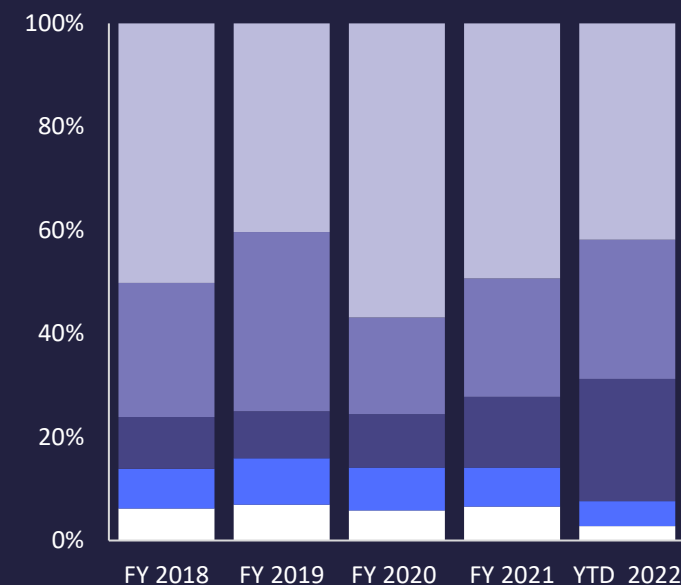
# Wide Liquid cooling OEM base

- Currently shipping to over 20 OEMs
- Top five represented 85% of Liquid Cooling revenue in YTD 2022, vs. 83% for full-year 2021
- Ambition to increase diversification over time

Top 5 liquid cooling customers<sup>1</sup>



Top 5 customers revenue split <sup>2)</sup>



1) Sorted alphabetically per Q3 2022

2) Colors reflect ranking. The composition and relative revenue share of Asetek's top 5 customers will vary between periods

# Liquid cooling for gamers and enthusiasts cash generating over time



EBITDA - Liquid cooling

USD thousands





# Liquid cooling strategic development

Goal	Strategy	Development and outlook
<p><b>Further develop leadership in the gaming and enthusiast liquid cooling market</b></p>	<ul style="list-style-type: none"><li>• R&amp;D and product development</li><li>• Growing existing customers</li><li>• Widening OEM customer base</li><li>• Branding and marketing</li></ul>	<ul style="list-style-type: none"><li>• Focus on delivery of core liquid cooling solutions</li><li>• Ramp-up of development to bring meaningful innovations to market</li><li>• Develop and ship products with market leading performance, quality and reliability</li><li>• Currently over 20 OEM customers</li><li>• Focus on reducing single-customer dependency</li><li>• Co-branding agreements in place with several OEMs</li><li>• Connecting directly with gamers and enthusiasts via social media and online communities, such as Discord</li></ul>





SimSports



# Strong interest confirms long-term market potential

- Continued positive feedback and interest from sim racing reviewers, influencers and end-users
  - \$0.5 million SimSport revenue in Q3 2022
  - Reflects challenging macro situation with low discretionary spending and supply chain challenges
- Supply chain issues affecting initial product roll-out largely resolved at end Q3 2022
- High marketing activity and focused sales channel development
  - Exhibited upcoming wheels and wheelbases at Gamescom 2022 Expo in Germany in Q3 2022
  - Esports leader Hardpoint to make Asetek's SimSports racing products available for to try out and purchase at International Motor Sports Association (IMSA) race events
  - Targeting additional gaming platforms beyond PCs



**ASETEK**  
**SIM SPORTS™**

# Expanding sim racing product program

- Two new SimSports products began shipping in Q3 2022
  - The high-performance Forte™ Throttle and Brake Pedal
  - The limited edition Pagani Huayra R Pedals
- At least 5 new products and families expected to be ready for pre-order in Q4 2022 (shipping Q4 2022 or Q1 2023)
  - Invicta wheelbase
    - Forte wheelbase
  - Forte steering wheel
  - S-Series pedals
  - La Prima entry level series
  - Racing rig, seats, shifters, hand brakes and other accessories planned in 2023
- On track to have in-house developed product offering of 5x sets of pedals, 2x steering wheels and 3x wheelbases only two years after entry into the SimSports market
  - Founded on extensive mechatronics and real racing competencies in close collaboration with leading sim racers

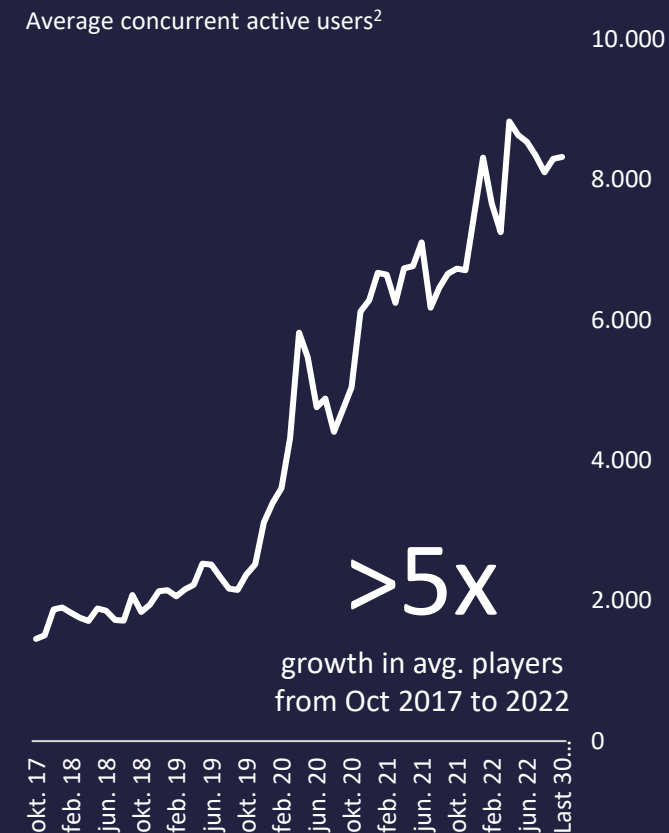




# Targeting a superior offering in a growing market

- Asetek positioning in the high end of the market
  - Targeting competitive and committed gamers, and racing and automobile enthusiasts
  - Plan to offer bundles with wheel, wheelbase and pedals for the Invicta (~\$3,350) and Forte (~\$2,100) series
- Competitors offer low-cost bundles targeting casual gamers in the low-end PC and PlayStation/X-Box console market
  - Fanatec DD Pro: ~\$700 - \$1,000
  - Logitech: ~\$1,399
  - Moza, R5: ~\$600
- A clear indication of a significant volume market
  - Confirmed by iRacing subscription platform having ~200k members<sup>1</sup>
  - Long-term user growth on the Assetto Corsa and Assetto Corsa Competizione platforms<sup>2</sup>
- Asetek targets this segment with the La Prima bundle priced at ~\$1,350 with much higher quality/features product
  - Key to long term success in this segment is native console support
  - Potential for lower price-point (MSRP) due to current use of high-end components at inflated pricing
  - La Prima series will only be sold direct

## Assetto Corsa user development



<sup>1</sup> Source: Iracing.com

<sup>2</sup> Source: Steamcharts.com - Assetto Corsa and Assetto Corsa Competizione combined

# SimSports strategic development

Goal	Strategy	Development and Outlook
<p><b>Becoming a next-level immersive gaming experiences provider</b></p>	<ul style="list-style-type: none"><li>• Leverage core mechatronics capabilities and global supply chain</li><li>• Develop product offering based on acquired IP and technology</li><li>• Establish a thriving third growth segment in a fragmented market</li></ul>	<ul style="list-style-type: none"><li>• Initial focus on innovation and product development</li><li>• Product development on plan based on own software and implementation of acquired IP</li><li>• Finalize market and channel strategies, including direct sales, online resellers, motorsports shops etc.</li><li>• First products now available for customers with further launches in 2022 and 2023</li><li>• Supported by brand platform and reputation for performance, quality, reliability and immersive experiences</li></ul>



# Financials

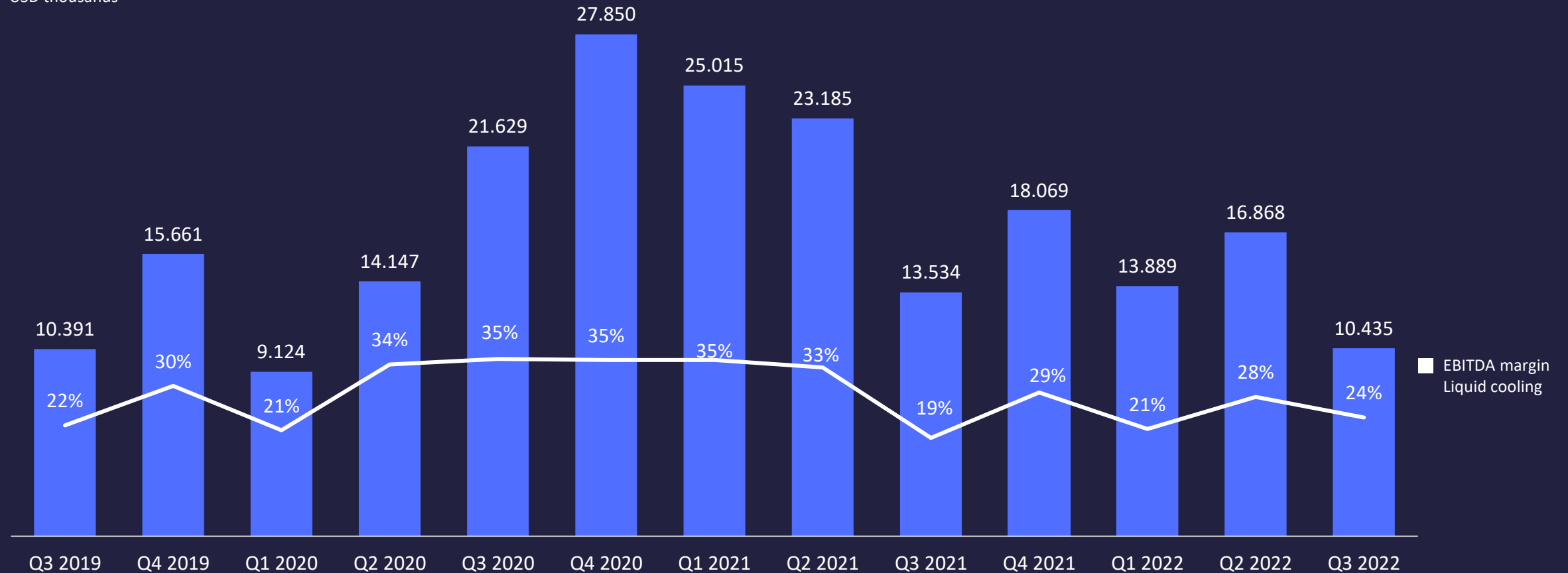
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# Revenue and EBITDA margin reflect market volatility



## Group revenue and liquid cooling EBITDA margin

USD thousands





# Income statement

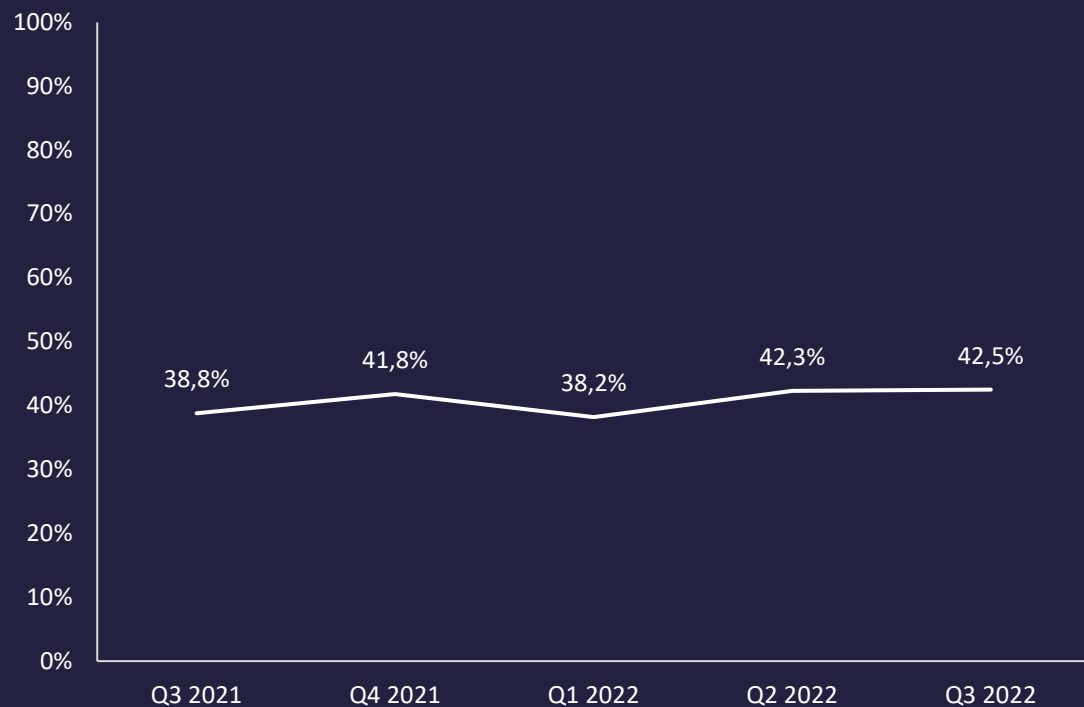
Figures in USD (000's)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	10,435	13,534	41,192	61,734	79,803
Cost of sales	6,004	8,283	24,317	35,911	46,430
<b>Gross profit</b>	<b>4,431</b>	<b>5,251</b>	<b>16,875</b>	<b>25,823</b>	<b>33,373</b>
Research and development	1,425	1,789	3,758	5,285	7,092
Selling, general and administrative	4,684	6,575	16,472	18,206	24,503
Special items	-	1,713	-	1,713	1,713
Other expense (income)	-	(714)	119	(714)	(714)
<b>Total operating expenses</b>	<b>6,109</b>	<b>9,363</b>	<b>20,349</b>	<b>24,490</b>	<b>32,594</b>
<b>Operating income</b>	<b>(1,678)</b>	<b>(4,112)</b>	<b>(3,474)</b>	<b>1,333</b>	<b>779</b>
Foreign exchange (loss) gain	656	287	1,496	583	832
Finance income (costs)	(8)	(51)	(90)	(150)	(214)
<b>Total financial income (expenses)</b>	<b>648</b>	<b>236</b>	<b>1,406</b>	<b>433</b>	<b>618</b>
<b>Income before tax</b>	<b>(1,030)</b>	<b>(3,876)</b>	<b>(2,068)</b>	<b>1,766</b>	<b>1,397</b>
Income tax (expense) benefit	(148)	887	(427)	(275)	(60)
<b>Income for the period</b>	<b>(1,178)</b>	<b>(2,989)</b>	<b>(2,495)</b>	<b>1,491</b>	<b>1,337</b>
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	(1,379)	(751)	(3,411)	(1,523)	(1,709)
<b>Total comprehensive income</b>	<b>(2,557)</b>	<b>(3,740)</b>	<b>(5,906)</b>	<b>(32)</b>	<b>(372)</b>
<b>Income per share (in USD):</b>					
Basic	(0.05)	(0.12)	(0.10)	0.06	0.05
Diluted	(0.05)	(0.12)	(0.10)	0.06	0.05

- Q3 and YTD revenue reflect reduced shipments of liquid cooling products compared to same periods last year
  - Sales of 155,000 sealed loops in Q3 vs. 237,000 shipped in Q3 2021
  - Unit ASP increased to \$58 (\$50) due to shift in product mix towards higher performance products
- Shipments of gaming products remain impacted by inventory de-stocking and softer end-user demand
- Operating expenses reduced compared to 2021
  - Staff reductions
  - Legal cost reductions
  - DKK/USD FX rate beneficial to operating expenses to date in 2022

The financial tables for Q3 2022 are available in the Interactive Analyst Center at <https://ir.asetek.com/overview/default.aspx>

# Margin development

## Quarterly Group gross margin development

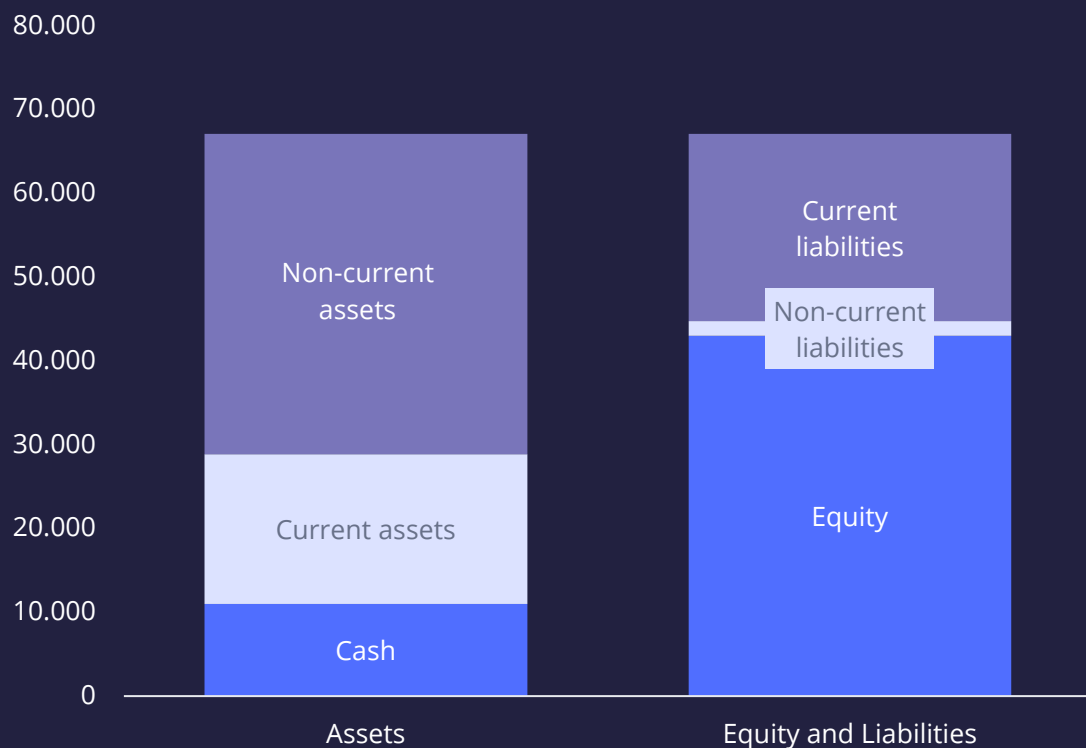


- Q3 2022 gross margin of 42.5% vs. 38.8% in Q3 2021
  - Improvement reflects a stronger U.S. dollar, a change in the mix of product shipments, and lower costs associated with global shipping and logistics
- YTD 2022 margin of 41.0% (41.8%)

# Balance sheet

## Balance sheet

USD thousands at September 30, 2022



- Stable cash position at end Q3
- Continued debt draw-down to finance new HQ
- Solid and attractive partner for OEM customers
- Flexibility to develop and defend IP
- Platform for expanding gaming product portfolio



# Development of new development center and HQ progressing to plan

- On schedule for completion in mid-2024
- Limited cost inflation due to locking in deliveries early
- Working on finalizing funding for development period and structuring the long-term post-delivery financing
- Potential to take in additional tenants following downsizing of own organization



# Financial strategy



# Summary and outlook

- Challenging market with limited visibility for 2023
- Optimizing cost base and driving efficiencies to emerge as a stronger company when market conditions normalize
- Focus on expanding SimSports offering with more products in 2022 and 2023
- High end-user interest in Asetek liquid cooling and SimRacing products provides a positive indication of potential when markets normalize
- Long-term average growth expectation of approximately 15% per annum when markets normalize maintained



# Q&A



# Appendix

# Management



**Founder and CEO**  
André S. Eriksen

- Long-term entrepreneur and founder of Asetek
- Previously employed at Danfoss in their management trainee program
- Holds an engineering degree from Aalborg University
- Several MBA level executive management programs from Right, Stanford, MIT and Wharton



**CFO**  
Peter Dam Madsen

- Previous positions include International Controller (DK) and Chief Financial Officer (US) at Martin Professional, Inc.
- Also served as CFO of Dantax Radioindustri A/S listed on the Copenhagen Stock Exchange
- MBA from Fort Lauderdale Metropolitan University



**COO**  
John Hamill

- 30+ years of high tech industry sales, sales management and marketing experience
- Previously held position as VP of Global Sales at nVidia and AMD
- Has managed global sales teams
- BSc in Electronics and Electrical Engineering from the University of Glasgow in Scotland



**VP Global Operations**  
Henrik Gertz

- 20+ years in operations management roles, where he managed fulfilment, logistics, manufacturing planning, procurement, and supply chain functions
- He became a machine fitter at ABB and then studied and earned his Production Technologist degree, and a Diploma in Management



**VP Global Sales**  
Jamie Jamieson

- 10 years+ global liquid cooling sales and management experience
- Prior to becoming VP, he was Senior Director of Sales at Asetek, and has held business development positions at CIARA and CoolIT Systems.
- Studied Sociology and Eastern Religious Studies at the University of Calgary in Canada



**VP Global R&D**  
Thomas Ditlev

- 15+ years of experience with Vestas and Grundfos he has an intimate background in sophisticated pumping and cooling systems designed for global markets
- M.Sc.EE degree from Aalborg University as well as an EMBA in Business Psychology from Business Institute in Aalborg



**Director Branding and Outbound Marketing**  
Solveig Malvik

- Extensive international experience within branding, marketing, communication and business development
- Holds an M.A. in Modern Middle Eastern Studies, Public Policy and Governance from A.U. of Beirut and a Masters in Political Science and Public Administration from the University of Bergen



**Director, Global Product Management**  
Brian Park

- 15+ years experience in defining and executing winning product strategies across industries
- Various senior product management and product marketing roles within the Solar, Building Construction and Semiconductor industries
- Holds a B.S. in Chemical Engineering and a B.S. in Material Science both from the University of California, Berkeley as well as an MBA from the University of California, Davis

# Board of Directors



**Chairman**  
Jukka Pertola

- 20+ years of management experience in ICT, energy, industry, infrastructure and healthcare sectors
- 10+ years of international experience in board positions at private and public companies and organizations
- Solid technological background in telecommunications, IT, digitalization and electrical engineering
- Experience in R&D funding and technology transfer projects



**Vice Chairman**  
Erik Damsgaard

- Experienced Managing Director from the electrical and electronic manufacturing industry
- 20 years as leader at OJ Industries in the HVAC and Floor heating industry. He is also Chairman of Danish service and distributor company Masentia A/S and Masentia Holding AB
- Holds M.Sc. in Electronics and a diploma in Business Economics, both from Aarhus University. Has graduated an Executive Management Program at INSEAD



**Director**  
Jørgen Smidt

- 25+ years of international operational and business management experience from the mobile telecoms industry, including Nokia and Motorola
- Experience includes investment and international marketing, market positioning and communication strategies
- Currently a partner at Sunstone Technology Ventures Fund I
- Holds an engineering degree in computer science from the Engineering College of Copenhagen



**Director**  
Maria Hjorth

- 20+ years of consulting and financial sector experience covering business development, M&A, investor relations and operational optimization
- Professional board member
- MSc and BSc in Economics from University of Copenhagen and a MSc in Business Psychology from University of Westminster in London



**Director**  
Maja Sand-Grimnitz

- Experienced marketing leadership and business growth professional
- Expertise in growing brands and businesses through strategy, process development and implementation
- Experience from Sport & Entertainment, tech, FMCG and finance
- Currently a Director, Brand Management & Global Gaming Marketing at EPOS Group



# Income statement, summary

Figures in USD (000's)	Nine months ended				
	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
	Unaudited	Unaudited	Unaudited	Unaudited	
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<b>Income per share (in USD):</b>					
Basic	\$ (0,05)	\$ (0,12)	\$ (0,10)	\$ 0,06	\$ 0,05
Diluted	\$ (0,05)	\$ (0,12)	\$ (0,10)	\$ 0,06	\$ 0,05

# Balance sheet, summary

Figures in USD (000's)	30 Sept 2022	31 Dec 2021
<b>ASSETS</b>	<i>Unaudited</i>	
Total non-current assets	38.227	29.325
Total current assets	28.865	46.029
<b>Total assets</b>	<u>\$ 67.092</u>	<u>\$ 75.354</u>
<b>EQUITY AND LIABILITIES</b>		
Total equity	42.988	48.388
Total non-current liabilities	1.772	1.540
Total current liabilities	22.332	25.426
<b>Total equity and liabilities</b>	<u>\$ 67.092</u>	<u>\$ 75.354</u>

# Cash flow statement, summary

Figures in USD (000's)	Nine Months ended	
	30 Sept 2022	30 Sept 2021
	<i>Unaudited</i>	<i>Unaudited</i>
Net cash provided by (used in) operating activities	(4.275)	13.375
Net cash used in investing activities	(14.397)	(9.881)
Net cash provided by (used in) financing activities	7.808	(4.845)
Effect of exchange rate changes on cash and cash equivalents	(1.437)	(351)
<b>Net changes in cash and cash equivalents</b>	<b>(12.301)</b>	<b>(1.702)</b>
Cash and cash equivalents at beginning of period	23.296	27.099
<b>Cash and cash equivalents at end of period</b>	<b>\$ 10.995</b>	<b>\$ 25.397</b>

# Statement of equity, summary

Figures in USD (000's)	2022		2021	
	<i>Unaudited</i>		<i>Unaudited</i>	
<b>Equity at January 1</b>	\$	48.388	\$	47.525
<b>Total comprehensive income - nine months ended September 30</b>				
Income for the period		(2.495)		1.491
Foreign currency translation adjustments		(3.411)		(1.523)
<b>Total comprehensive income - nine months ended September 30</b>		<b>(5.906)</b>		<b>(32)</b>
<b>Transactions with owners - nine months ended September 30</b>				
Shares issued for purchase of assets		-		4.222
Shares issued for options exercised		216		765
Shares repurchased		-		(4.833)
Share based payment expense		290		811
<b>Transactions with owners - nine months ended September 30</b>		<b>506</b>		<b>965</b>
<b>Equity at September 30</b>	\$	<b>42.988</b>	\$	<b>48.458</b>





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