



# Q1 2020

22 April 2020

# Highlights



- Q1 revenue of \$9.1 million, a decrease of 18% from Q1 2019
- Gross margin increased to 49% from 43% in Q1 2019, driven by higher Data center prices, business model transition and a stronger U.S. dollar
- Q1 EBITDA adjusted of \$0.2 million compared to \$0.3 million in Q1 2019
- Cash position increased to \$26.2 million at the end of Q1 from \$24.5 million at the end of 2019
- No substantial supply chain- or operational impact from COVID-19 beyond the effects of the lock-down in China in mid-Q1
- Group expectations for 2020 maintained
- Share buy-back program launched to offset employee option grants

# Ensuring business continuity amid COVID-19



## Asetek footprint



- Prioritizing employee health and safety
- Complying with applicable national guidelines and regulations
  - Extensive use of home office
  - Practicing social distancing including in manufacturing
  - Travel restrictions
- Group functions are fully operational

# Robust supply chain and operations



## External manufacturing

- Limited impact on ability to meet customer demand to date
- \$0.6 million of Q1 orders were delayed to Q2 due to extended Chinese New Year holiday and plant closures
- Situation improving with China slowly reopening and full production capacity is expected in late Q2 2020
- Some “ripple effects” due to decreased availability of components from geographies outside China



## Asetek

- HQ, sales, in-house manufacturing and R&D are fully operational
- Updating business continuity plans and performing scenario analyses as situation evolves
- No workforce adjustments
- No increases to salaries planned in 2020 to maintain stable cost base



## OEMs/end-users

- Positive signals from Gaming and Enthusiast OEMs
- Gaming and Enthusiast purchasing patterns and volumes in line with expectations YTD
- Potential for delays in Data center investments due to lockdown

# Strong financial position and flexibility going forward



As at 31 March 2020

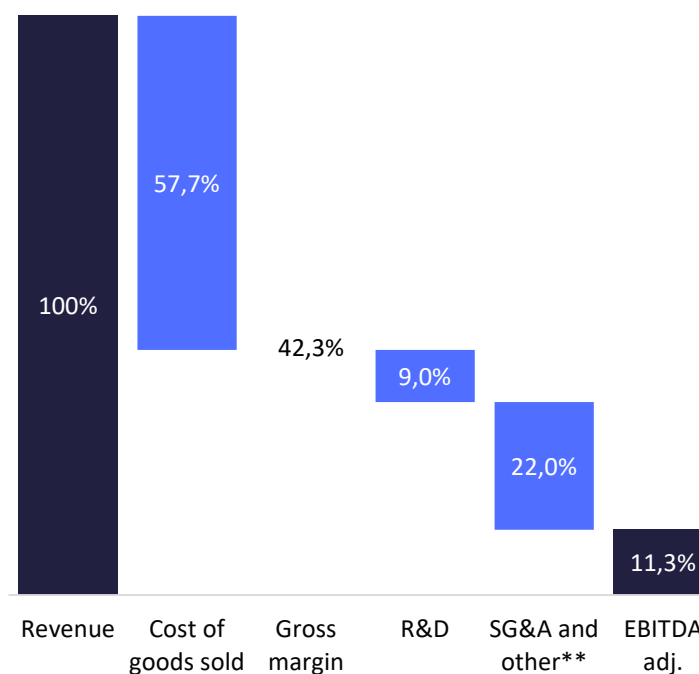
Cash position  
USD 26.2 million

Equity ratio\*  
79%

\*Equity/total assets

## 2019 full-year cost composition

As % of revenue



\*\*Adjusted for share-based compensation and depreciation/amortization

- Strong cash position
- High equity ratio and low interest-bearing debt
- No capacity adjustments or other opex reductions required at present
- Flexibility to adjust fixed cost base over time if required

# 2020 to date meeting expectations even with COVID-19 impact



- Impact to date due to supply constraints, not demand
  - Special components affected, however not critical
- Gaming and Enthusiast demand for Q2 2020 developing in line with expectations
  - Positive signals from OEMs
  - Visibility remains unchanged at six to eight weeks
- Increased Data center market activity
  - More projects tendered
  - Uncertainty related to how many tenders will move to final award
- Limited visibility for second half of 2020
  - Historically representing a 10-20% increase in revenue compared to first half of the year
  - Increased uncertainty due to COVID-19
- Group outlook for 2020 maintained
  - Revenue expectation of a decline of 5% to 10% from 2019
  - Considering current macroeconomic developments, business model transition and reduced demand from OEM customer
  - Uncertainty related to COVID-19
  - Timing of orders and shipments will vary when compared with prior year quarterly results.
  - Gross margin is expected to increase from 2019 and the Company expects a positive income before tax
- Long-term drivers remain intact
  - New hardware enabling immersive experiences
  - Need for more sustainable data center solutions

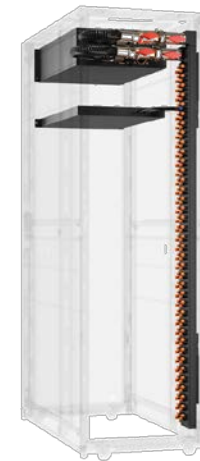


# Business overview



Gaming and Enthusiast 95% of sales

Data center ~5% of sales



Enthusiasts and do-it-yourself (DIY)

Gaming/Performance PCs

Data center

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

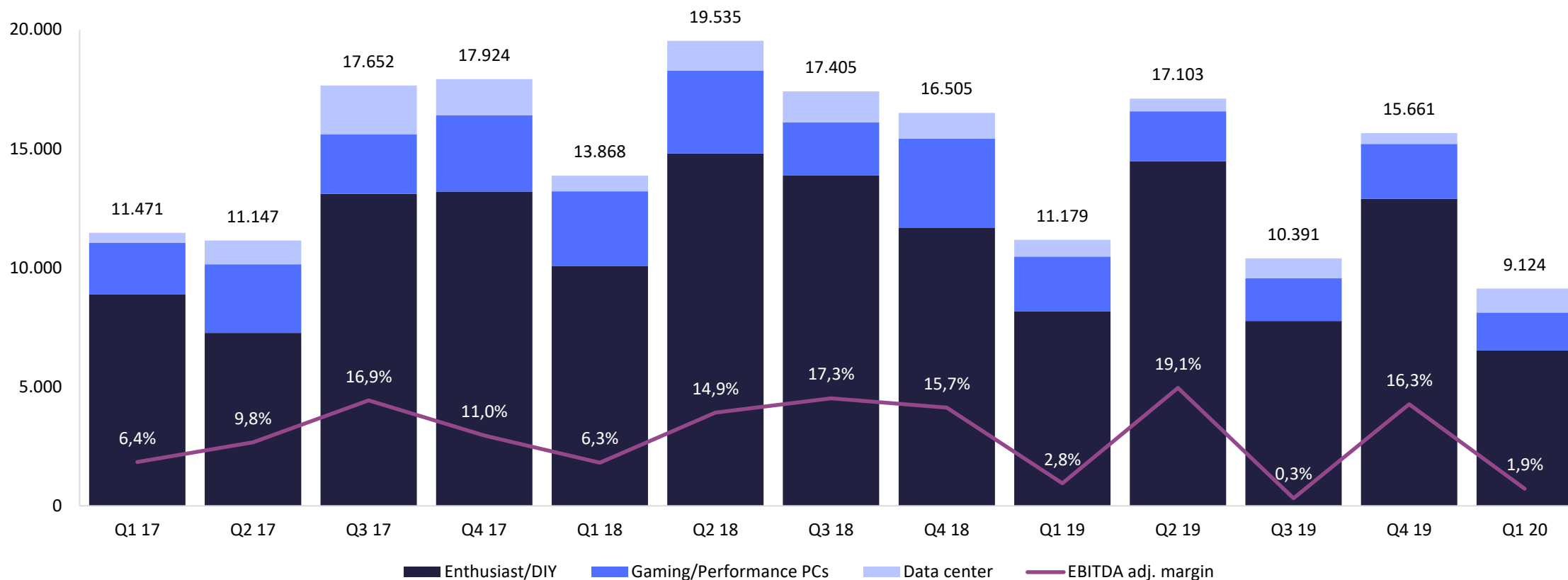
IP platform: Applications | Technology | Systems | Products | Patents | High-volume manufacturing | World wide hub infrastructure

# Q1 reflects high market volatility



## Quarterly data center revenue and OEM additions

USD thousands







# Gaming and Enthusiast

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# Developing OEM customer base



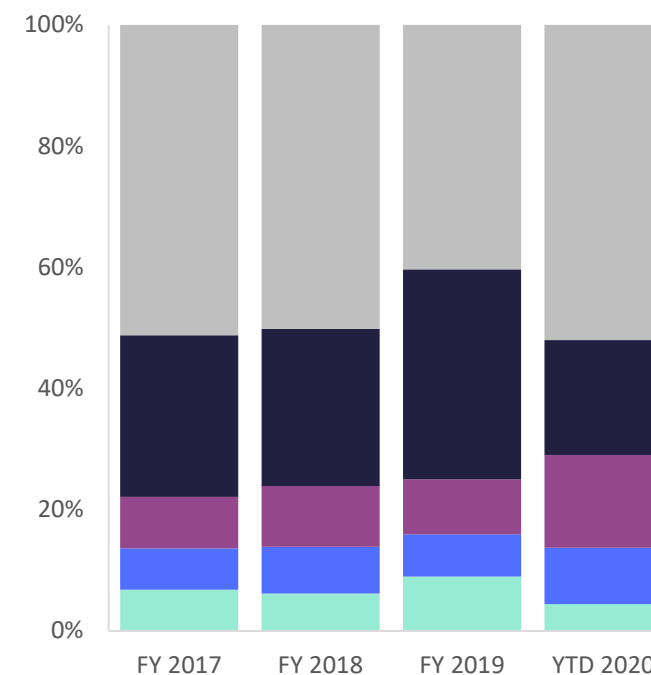
## Status

- Currently shipping to over 20 OEMs
- Top five represent 81% of Gaming & Enthusiast revenue in 2019, a decrease from 85% in 2018
- Diversification increasing with time
- Continuous monitoring and assessment of the IP situation

## Top 5 Gaming and Enthusiast customers\*



## Top 5 customers revenue split\*\*



# Unveiling the most advanced desktop liquid cooling technology to date

“When we envisioned creating our next generation of CPU coolers, not only did we want to create the highest performing AIOs, we wanted to give gamers and enthusiasts a unique level of personalization and creativity (..)

We worked hand-in-glove with Asetek to define and develop our new Z-3 series and refreshed X-3 series, incorporating Asetek’s latest technology in what we believe are revolutionary new CPU coolers. The result is an amazing performance, quieter operation, and a beautiful AIO with limitless options for customization.”

Jim Carlton, Vice President of Products at NZXT

**NZXT** × **Asetek**



Scan here to unlock five tips and tricks to maximize frame rates.



# Building a gaming and enthusiast brand



- We put our brand forward without compromising our customers' brand
- Dual-branding and brand-behind-the-brand strategies
- Introducing new and high-end products to live the brand and go back to our roots



## WIN AN ALIENWARE AURORA R9 FROM ESO AND ASETEK!

Article

2020-03-06

Written by: James Plover



# Gaming and Enthusiast strategic development



Goal	Levers	Development and outlook
Continue to dominate the gaming and enthusiast liquid cooling market	R&D and product development	<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>• Products which deliver best performance, quality and reliability</li></ul>
	Branding and marketing	<ul style="list-style-type: none"><li>• Co-branding agreements in place with seven OEMs</li><li>• Connecting directly with gamers and enthusiasts via CoolNation forum</li><li>• Positioning to monetize Asetek brand</li></ul>
	Widening OEM customer base	<ul style="list-style-type: none"><li>• Currently over 20 OEM customers</li><li>• Reducing single-customer dependency</li></ul>



# Data center

- In February, Asetek began delivering waste heat from its in-house data center to Aalborg's municipal district heating network, demonstrating the viability of Asetek's technology in enabling power savings and reducing CO2 emissions
- Global sustainability agenda strengthens rationale for Asetek's data center solution
- Market adoption remains slow –public standards required to trigger wider use of liquid cooling



# Increased activity in HPC market

- Preparations for release of global server OEM's product platform with Asetek's Direct to Chip (D2C) liquid cooling announced in January progressing as planned
- \$600k-\$800k order announced April 21 for Q2 delivery
  - The largest order to date from existing HPC OEM partner
  - For a new, high-density cluster in North America for existing undisclosed end customer
- \$500k-600k order for HPC installation announced in January
- Increased pipeline of potential projects







# Financials

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# Quarterly income statement



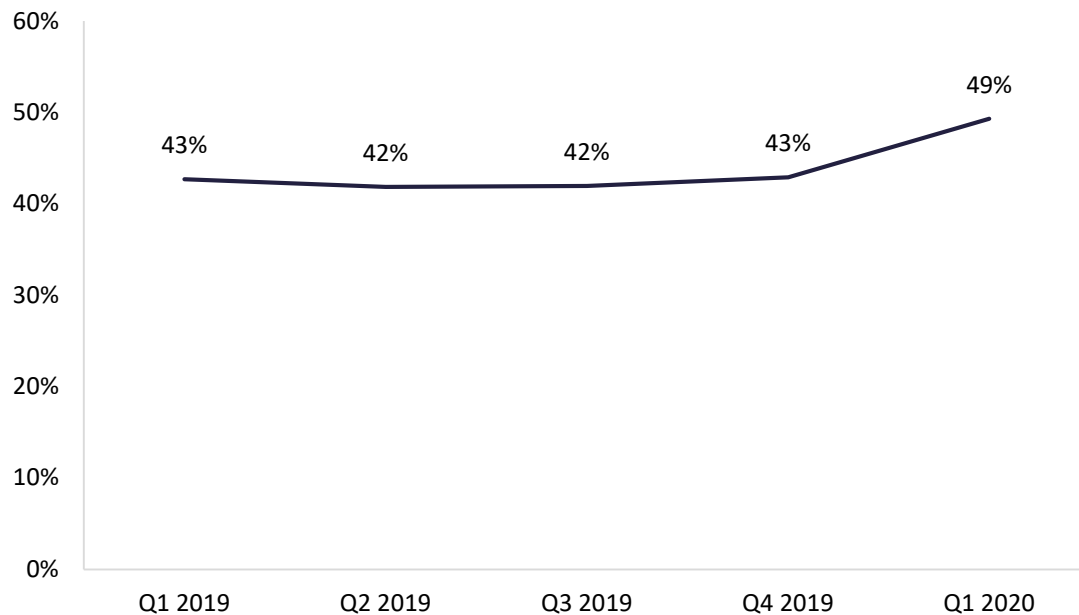
Figures in USD (000's)	<b>Q1 2020</b>		<b>Q1 2019</b>	
	<i>Unaudited</i>		<i>Unaudited</i>	
Revenue	\$	9,124	\$	11,179
Cost of sales		4,626		6,410
<b>Gross profit</b>		4,498		4,769
Research and development		1,167		1,255
Selling, general and administrative		4,252		4,540
<b>Total operating expenses</b>		5,419		5,795
<b>Operating income</b>		(921)		(1,026)
Foreign exchange (loss) gain		212		164
Finance income (costs)		9		48
<b>Total financial income (expenses)</b>		221		212
<b>Income before tax</b>		(700)		(814)
Income tax (expense) benefit		-		(7)
<b>Income for the period</b>		(700)		(821)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments		(399)		(330)
<b>Total comprehensive income</b>	\$	(1,099)	\$	(1,151)
<b>Income per share (in USD):</b>				
Basic	\$	(0.03)	\$	(0.03)
Diluted	\$	(0.03)	\$	(0.03)

- Average Gaming and Enthusiast ASP decreased slightly due to business model transition (\$56.6 vs. \$57.7)
- Operating expenses decreased due to lower amortization of capitalized development costs, reduced share-based compensation cost and an on average 3% stronger USD versus DKK

# Margin development



## Quarterly Group gross margin development



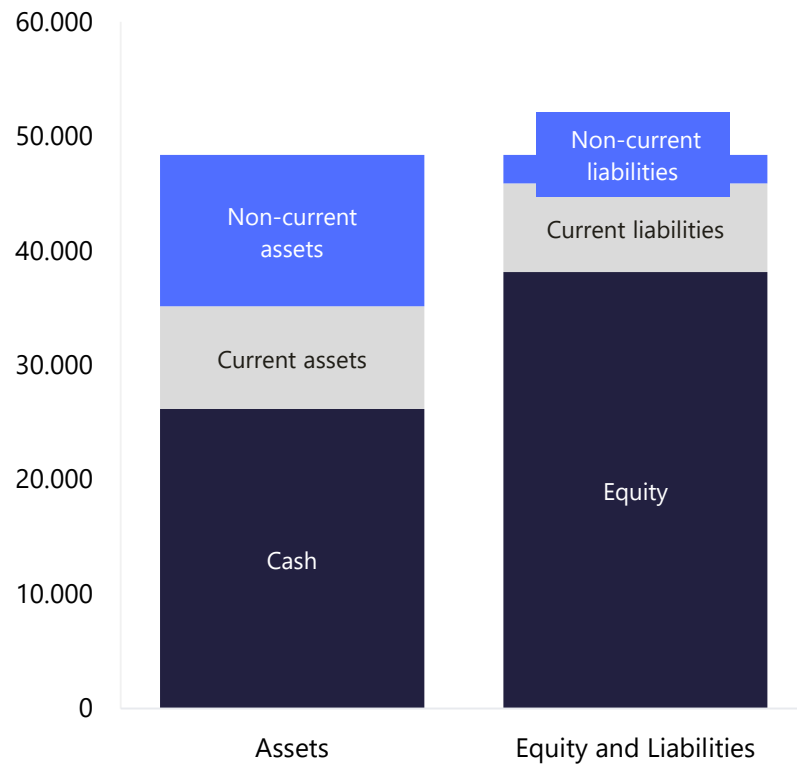
- Q1 2020 group gross margin was 49.3% (42.7%)
- The improvement reflects higher gross margins across all product lines, especially on Data Center products
- Gaming and Enthusiast margin reflects business model transition and a stronger USD
- Data center margin positively impacted by price increases implemented in 2019. Will continue to fluctuate with activity and customer mix

# Balance sheet and share buy-back program



## Balance sheet composition

USD thousands



- Strong cash position and low interest-bearing debt
- Lean balance sheet enables growth and financial flexibility
- Share buy-back program to offset employee options to be launched in May 2020
  - Targeting the repurchase of 1 million shares at a value of no more than \$4.5 million
  - The share repurchase must be completed by September 2020
  - Tax situation around dividend payments is unchanged
  - Asetek considers buy-back of shares for an option program a non-taxable event

# Financial priorities



## Priorities

## Value drivers

Continued  
profitable growth  
and solid financial  
platform

Gaming and Enthusiast  
leadership

Maintaining Data center  
market position

Cost base optimization

Cash flow improvement

- Evolve business model to drive competitiveness and profitability
- Product innovation and rebranding to strengthen market position
- Revenue growth and diversification of revenue streams
- Margin protection and optimization

- Ensuring efficient data center operations
- OEM and end-user adoption

- Targeted IP and R&D investments
- Manufacturing
- Sales and marketing efficiency

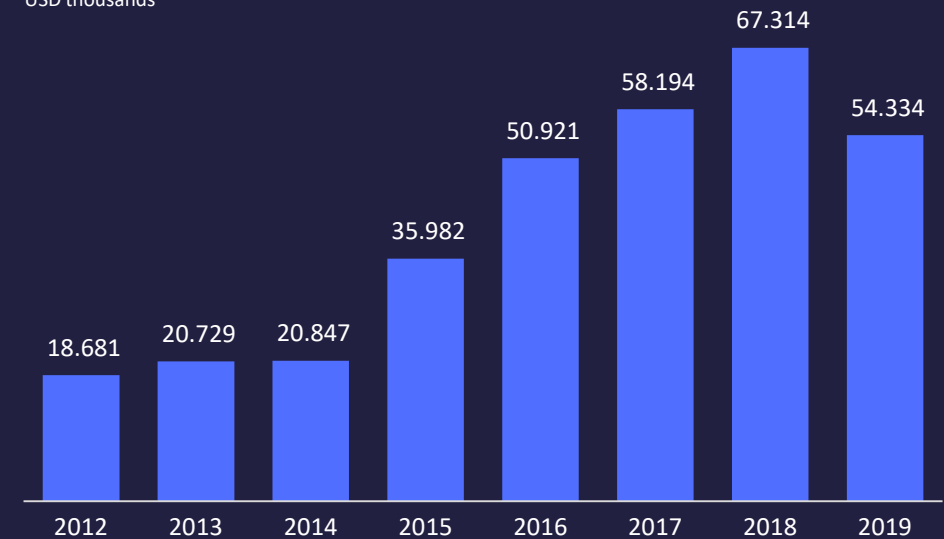
- Cash conversion
- Continued balance sheet optimization

# Summary and outlook



- 2020 group revenue expectation maintained
- Higher Data center prices and G&E OEM business model transition support increased gross margins
- Asetek expects a positive income before tax in 2020
- Launch of share buy-back program

Annual Group revenue  
USD thousands



# Q&A







# For more than 20 years, thermal solutions from Asetek have been cooling processors around the globe...

Our AIO coolers can be found in the latest high-end gaming PCs and are sought-after by enthusiasts for their reliable operation, ease-of-use and pervasive cooling. They are also used in some of the fastest computers in the world to enable advances that drive our everyday lives.



# Asetek will be an end-user centric brand



## Hardcore gamers

**Gamers know they can count on us.** We're gamers too, who love to squeeze every bit of performance from our systems. AIO coolers powered by Asetek enable GPU or CPU overclocking to ensure you get the most out of your high-end gaming PC.

## Enthusiasts

**We know that top-shelf performance is a must when building your own monster rig.** That's why we continue to innovate and push the envelope of what's possible.



# 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**  
Csaba Vesei

- 14+ years with IBM in numerous leadership roles, where he managed fulfillment, logistics, manufacturing planning, procurement, and supply chain functions
- MBA from Buckinghamshire Chilterns University, as well as a BSc in Information Technology from the College of Dunaujvaros



**VP Global Sales and Marketing**  
Dipak Rao

- 15 years+ experience leading global teams and managing global accounts in the high-tech industry
- Prior to joining Asetek, Dipak held senior sales and product marketing roles at AMD
- B.A. (Honors) in Marketing from De Montfort University, Leicester in the U.K



**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



**VP Global Quality**  
Magnus Hakanen

- 20+ years of experience from quality management positions within international organizations like VELUX, Grundfos, Vestas, Nilfisk and automotive companies
- M.Sc. in Mech. Engineering from the KTH Royal Institute of Technology in Stockholm, Sweden. In addition he also has a Six-Sigma Black Belt certification



**Director Branding and Outbound Marketing**  
Solveig Malvik

- Extensive international experience within branding, marketing, communication and business development in organizations such as Med24, First4Skills and Survitec
- Holds an M.A. in Modern Middle Eastern Studies, Public Policy and Governance from the American University of Beirut and a Cand.mag. in Political Science and Public Administration from the University of Bergen

# 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**  
Chris Christopher

- 40+ years of leadership, management and tech industry experience
- Most recent Senior VP and GM at HP for an USD 18bn portfolio consisting of blades based client systems, workstations and desktop PCs
- BSEE and MSEE from Colorado State University and an Executive MBA from Insead School of Business



**Director**  
Maria Hjorth

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



**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**  
Erik Damsgaard

- Experienced Managing Director from the electrical and electronic manufacturing industry
- 19 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

# Income statement



Figures in USD ('000's)		Q1 2020	Q1 2019	2019
		Unaudited	Unaudited	
Revenue	\$	9,124	\$ 11,179	\$ 54,334
Cost of sales		4,626	6,410	31,329
<b>Gross profit</b>		<b>4,498</b>	<b>4,769</b>	<b>23,005</b>
Research and development		1,167	1,255	4,889
Selling, general and administrative		4,252	4,540	17,821
Other expense (income)		-	-	(753)
<b>Total operating expenses</b>		<b>5,419</b>	<b>5,795</b>	<b>21,957</b>
<b>Operating income</b>		<b>(921)</b>	<b>(1,026)</b>	<b>1,048</b>
Foreign exchange (loss) gain		212	164	218
Finance income (costs)		9	48	188
<b>Total financial income (expenses)</b>		<b>221</b>	<b>212</b>	<b>406</b>
<b>Income before tax</b>		<b>(700)</b>	<b>(814)</b>	<b>1,454</b>
Income tax (expense) benefit		-	(7)	(2,082)
<b>Income for the period</b>		<b>(700)</b>	<b>(821)</b>	<b>(628)</b>
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustments		(399)	(330)	(444)
<b>Total comprehensive income</b>	\$	<b>(1,099)</b>	\$ <b>(1,151)</b>	\$ <b>(1,072)</b>
<b>Income per share (in USD):</b>				
Basic	\$	(0.03)	\$ (0.03)	\$ (0.02)
Diluted	\$	(0.03)	\$ (0.03)	\$ (0.02)

# Balance sheet



Figures in USD (000's)	31 Mar 2020	31 Dec 2019
<b>ASSETS</b>	<i>Unaudited</i>	
<i>Non-current assets</i>		
Intangible assets	\$ 1,928	\$ 1,920
Property and equipment	5,592	6,115
Deferred income tax assets	5,409	5,521
Other assets	301	307
<b>Total non-current assets</b>	<b>13,230</b>	<b>13,863</b>
<i>Current assets</i>		
Inventory	1,386	1,657
Trade receivables and other	7,596	14,080
Cash and cash equivalents	26,159	24,505
<b>Total current assets</b>	<b>35,141</b>	<b>40,242</b>
<b>Total assets</b>	<b>\$ 48,371</b>	<b>\$ 54,105</b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity</i>		
Share capital	\$ 423	\$ 423
Retained earnings	37,718	38,197
Translation and other reserves	(14)	388
<b>Total equity</b>	<b>38,127</b>	<b>39,008</b>
<i>Non-current liabilities</i>		
Long-term debt	2,511	2,774
<b>Total non-current liabilities</b>	<b>2,511</b>	<b>2,774</b>
<i>Current liabilities</i>		
Short-term debt	1,519	1,518
Accrued liabilities	982	1,022
Accrued compensation & employee benefits	1,143	1,526
Trade payables	4,089	8,257
<b>Total current liabilities</b>	<b>7,733</b>	<b>12,323</b>
<b>Total liabilities</b>	<b>10,244</b>	<b>15,097</b>
<b>Total equity and liabilities</b>	<b>\$ 48,371</b>	<b>\$ 54,105</b>

# Cash flow statement



Figures in USD (000's)	Q1 2020	Q1 2019	2019
	<i>Unaudited</i>	<i>Unaudited</i>	
<b>Cash flows from operating activities</b>			
Income for the period	\$ (700)	\$ (821)	\$ (628)
Depreciation and amortization	873	1,023	4,057
Finance income recognized	(49)	(92)	(359)
Finance costs recognized	40	44	171
Finance income, cash received	49	92	359
Finance costs, cash paid	(21)	(21)	(84)
Income tax expense	-	7	2,082
Cash receipt (payment) for income tax	-	-	(172)
Share based payments expense	221	317	1,056
Changes in trade receivables, inventories, other assets	6,490	5,244	2,234
Changes in trade payables and accrued liabilities	(4,425)	(2,198)	154
<b>Net cash provided by (used in) operating activities</b>	<b>2,478</b>	<b>3,595</b>	<b>8,870</b>
<b>Cash flows from investing activities</b>			
Additions to intangible assets	(357)	(360)	(1,441)
Purchase of property and equipment	(109)	(420)	(713)
<b>Net cash used in investing activities</b>	<b>(466)</b>	<b>(780)</b>	<b>(2,154)</b>
<b>Cash flows from financing activities</b>			
Funds drawn (paid) against line of credit	(4)	33	22
Proceeds from issuance of share capital	-	25	64
Principal payments on capitalized leases	(226)	(165)	(734)
<b>Net cash provided by (used in) financing activities</b>	<b>(230)</b>	<b>(107)</b>	<b>(648)</b>
Effect of exchange rate changes on cash and cash equivalents	(128)	(56)	(190)
<b>Net changes in cash and cash equivalents</b>	<b>1,654</b>	<b>2,652</b>	<b>5,878</b>
Cash and cash equivalents at beginning of period	24,505	18,627	18,627
<b>Cash and cash equivalents at end of period</b>	<b>\$ 26,159</b>	<b>\$ 21,279</b>	<b>\$ 24,505</b>
<b>Supplemental disclosures -</b>			
Property and equipment acquired under leases	\$ -	\$ 119	\$ 413



# Statement of equity



Figures in USD (000's)	Share capital	Translation reserves	Other reserves	Retained earnings	Total
<b>Equity at January 1, 2020</b>	\$ 423	\$ 392	\$ (4)	\$ 38,197	\$ 39,008
<b>Total comprehensive income - quarter ended March 31, 2020</b>					
Income for the period	-	-	-	(700)	(700)
Foreign currency translation adjustments	-	(399)	-	-	(399)
Total comprehensive income - quarter ended March 31, 2020	-	(399)	-	(700)	(1,099)
<b>Transactions with owners - quarter ended March 31, 2020</b>					
Share activity	-	-	(3)	-	(3)
Share based payment expense	-	-	-	221	221
Transactions with owners - quarter ended March 31, 2020	-	-	(3)	221	218
<b>Equity at March 31, 2020</b>	\$ 423	\$ (7)	\$ (7)	\$ 37,718	\$ 38,127
<b>Equity at January 1, 2019</b>	\$ 422	\$ 836	\$ (4)	\$ 37,704	\$ 38,958
<b>Total comprehensive income - quarter ended March 31, 2019</b>					
Income for the period	-	-	-	(821)	(821)
Foreign currency translation adjustments	-	(330)	-	-	(330)
Total comprehensive income - quarter ended March 31, 2019	-	(330)	-	(821)	(1,151)
<b>Transactions with owners - quarter ended March 31, 2019</b>					
Shares issued	-	-	-	26	26
Share based payment expense	-	-	-	318	318
Transactions with owners - quarter ended March 31, 2019	-	-	-	344	344
<b>Equity at March 31, 2019</b>	\$ 422	\$ 506	\$ (4)	\$ 37,227	\$ 38,151

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