



The Better
Way to Cool

Q2 2020

12 August 2020

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The global leader in liquid cooling
solutions for gaming and enthusiast PCs,
data centers and servers



The Better
Way to Cool

Highlights



- Q2 revenue of \$14.1m compared with \$17.1m in Q2 2019
- Gross margin increased to 51% in Q2 and first half, from 42% in both prior year periods
- Q2 EBITDA adjusted of \$3.1m, compared with \$3.3m in Q2 2019 which included a \$0.8m a favorable patent litigation settlement
- First-half revenue of \$23.3m and EBITDA adjusted of \$3.3m compared with \$28.3m and \$3.6m respectively in 2019
- Collaboration with Hewlett Packard Enterprise (HPE) to deliver data center liquid cooling solutions for HPC and artificial intelligence applications
- Full-year 2020 Group revenue, gross margin and pretax profit expectation raised in July

Managing COVID-19 impact through robust supply chain and operations

External manufacturing

- Limited impact on ability to meet customer demand to date
- Delayed Q1 orders delivered in Q2
- Continued improvement as China reopened and full production capacity re-established
- Previous component “ripple effects” mitigated



Asetek

- Continued focus on employee health and safety
- HQ, sales, in-house manufacturing and R&D are fully operational
- High sourcing activity
- No workforce adjustments
- Updating business continuity plans and performing scenario analyses as situation evolves



OEMs/end-users

- Increasingly positive signals from Gaming and Enthusiast OEMs
- Gaming and Enthusiast purchasing volumes exceeding expectations from late Q2
- Increased Data center activity

Revenue and profit outlook raised on strong demand for Gaming and Enthusiast products

- Group revenue expected to increase 5% to 15% compared with 2019
 - Previous guidance was for a 5% to 10% decline YoY
- Consistent strong and rising demand
 - Working actively with supply chain to ensure that demand can be covered
- Gross margin to increase from 2019
- Income before tax of about \$4 to \$5 million, up from \$1.5 million in 2019
- Uncertainty related to COVID-19

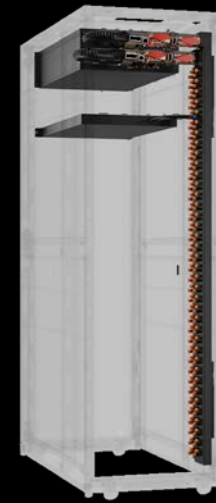
Annual Group revenue
USD thousands



Business overview

Gaming and Enthusiast

Data center



Enthusiasts and do-it-yourself (DIY)

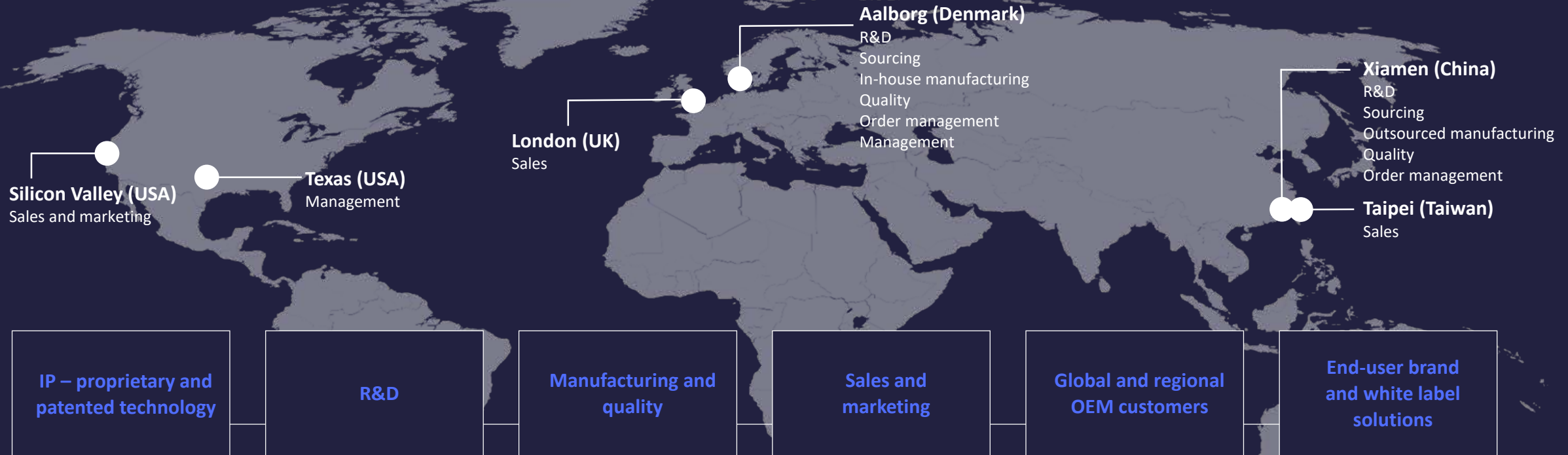
Gaming/Performance PCs

Data center

OEMs¹



Global platform with integrated value chain



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

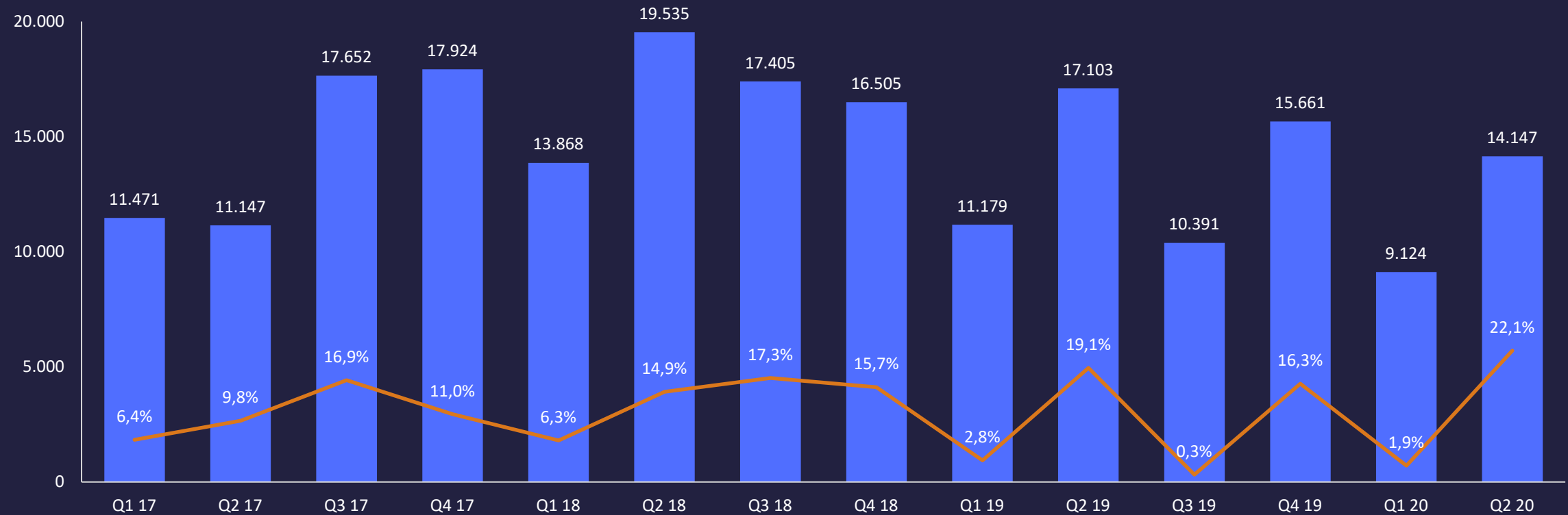
IP platform: Applications | Technology | Systems | Products | Patents | High-volume manufacturing | World-wide hub infrastructure

7 million units shipped | ~100 employees | FY'19 revenue of USD 54m | Listed on Oslo Børs

Quarterly revenue development

Quarterly revenue and EBITDA-margin

USD thousands





Gaming and Enthusiast

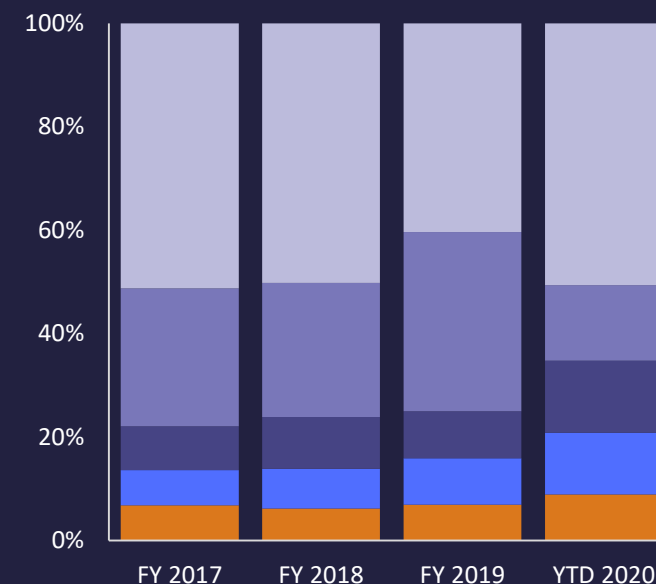
Widening and diversifying base of Gaming and Enthusiast OEMs

- Currently shipping to over 20 OEMs
- Top five represent 79% of Gaming and Enthusiast revenue YTD 2020, down from 81% in 2019
- Diversification increasing with time
- Continuous monitoring and assessment of IP
- Ongoing business model transition

Top 5 Gaming and Enthusiast customers ¹⁾



Top 5 customers revenue split ²⁾



Delivering on innovation with industry's first slot-in PCIe radiator card

- Introducing the new Rad Card GPU Cooler to provide liquid cooling for GPU's in space constrained PC cases
 - Included in Dell-Alienware's new Aurora R11 PC
 - The Asetek Rad Card GPU Cooler fits into PC's motherboard's PCIe slot
- Started shipping two new products for Asus ROG in Q2
- Powering a new series of Fractal Design Celsius+ CPU coolers
- Substantial pipeline of new products to start shipping in second half of 2020



Building a Gaming and Enthusiast brand

- Putting forward the Asetek brand without compromising the customers' market position
- Dual-branding and brand-behind-the-brand strategies
- Introducing new and high-end products to support brand positioning and deliver on commitment to innovation
- Engaging with the Gaming and Enthusiast community



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"> • Focus on delivery of core liquid cooling solutions • Ramp-up of development to bring meaningful innovations to market • Products which deliver best performance, quality and reliability
	Branding and marketing	<ul style="list-style-type: none"> • Co-branding agreements in place with several OEMs • Connecting directly with gamers and enthusiasts via CoolNation forum • Positioning to monetize Asetek brand
	Widening OEM customer base	<ul style="list-style-type: none"> • Currently over 20 OEM customers • Reducing single-customer dependency



Data center

Delivering next-generation HPC and AI cooling solutions

- Asetek solution incorporated in an upgrade to HPE Apollo Systems server platform
 - High-performing and density-optimized systems
- Project on track with pre-production shipments to commence in August for a first product
 - Ramp of commercial shipments expected before year-end
- Agreement initially announced in January with undisclosed global server OEM
 - A server product platform is typically upgraded every 18 to 24 months
 - Early estimates indicate a revenue potential of \$4 to \$5 million over the course of the product life.



Increased activity in HPC market

- Shipped \$0.8 million InRackCDU™ liquid cooling order to new high-density HPC cluster in North America
 - Largest order to date from this OEM (announced in April)
- Additional Data Center orders announced in Q2
 - \$0.3 million from existing server OEM with expected completion in Q3 2020
 - \$0.8 million order from current OEM partner for an undisclosed installation in Asia with expected Q3 2020 completion
- Increased pipeline of potential projects
- Higher activity and sales prices have resulted in a year-over-year increase in YTD financial performance



Data center strategic development

Goal

**Maintain
position and
create a
meaningful
and profitable
business
over time**

Strategy

- Influence the influencers
- Increase end-user adoption with existing and new OEMs
- Exploit established leadership within HPC
- Explore growth opportunities beyond the HPC segment

Outlook

- Global sustainability agenda strengthens rationale for Asetek's data center solution
- Market adoption of liquid cooling remains slow with need for public standards to trigger wider investments
- Segment revenue and operating results are expected to fluctuate as partnerships with OEMs are developed.
- Optimising segment overhead



Financials

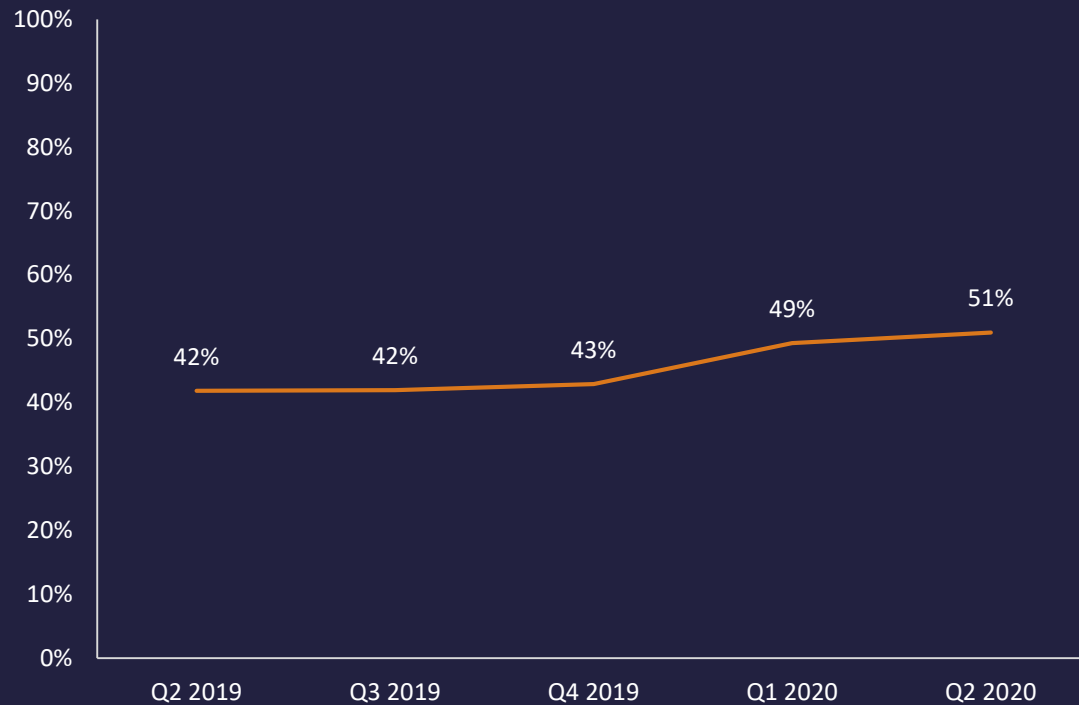
Income statement

Figures in USD (000's)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 14 147	\$ 17 103	\$ 23 271	\$ 28 282	\$ 54 334
Cost of sales	6 872	9 947	11 498	16 357	31 329
Gross profit	7 275	7 156	11 773	11 925	23 005
Research and development	1 339	1 200	2 506	2 455	4 889
Selling, general and administrative	3 936	4 591	8 188	9 131	17 821
Other expense (income)	-	(753)	-	(753)	(753)
Total operating expenses	5 275	5 038	10 694	10 833	21 957
Operating income	2 000	2 118	1 079	1 092	1 048
Foreign exchange (loss) gain	(323)	(126)	(111)	38	218
Finance income (costs)	(37)	56	(28)	104	188
Total financial income (expenses)	(360)	(70)	(139)	142	406
Income before tax	1 640	2 048	940	1 234	1 454
Income tax (expense) benefit	(325)	(301)	(325)	(308)	(2 082)
Income for the period	1 315	1 747	615	926	(628)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	457	236	58	(94)	(444)
Total comprehensive income	\$ 1 772	\$ 1 983	\$ 673	\$ 832	\$ (1 072)
Income per share (in USD):					
Basic	\$ 0,05	\$ 0,07	\$ 0,02	\$ 0,04	\$ (0.02)
Diluted	\$ 0,05	\$ 0,07	\$ 0,02	\$ 0,04	\$ (0.02)

- Q2 revenue reflects decline in unit sales volumes and a slight decrease in Gaming and Enthusiast ASP due to business model transition
- Operating expense in Q2 2019 was reduced by the positive effect of \$0.8 million related to a favorable patent litigation settlement
- Underlying operating expenses decreased due to a stronger U.S. dollar and lower costs associated with IP defence

Margin development

Quarterly Group gross margin development

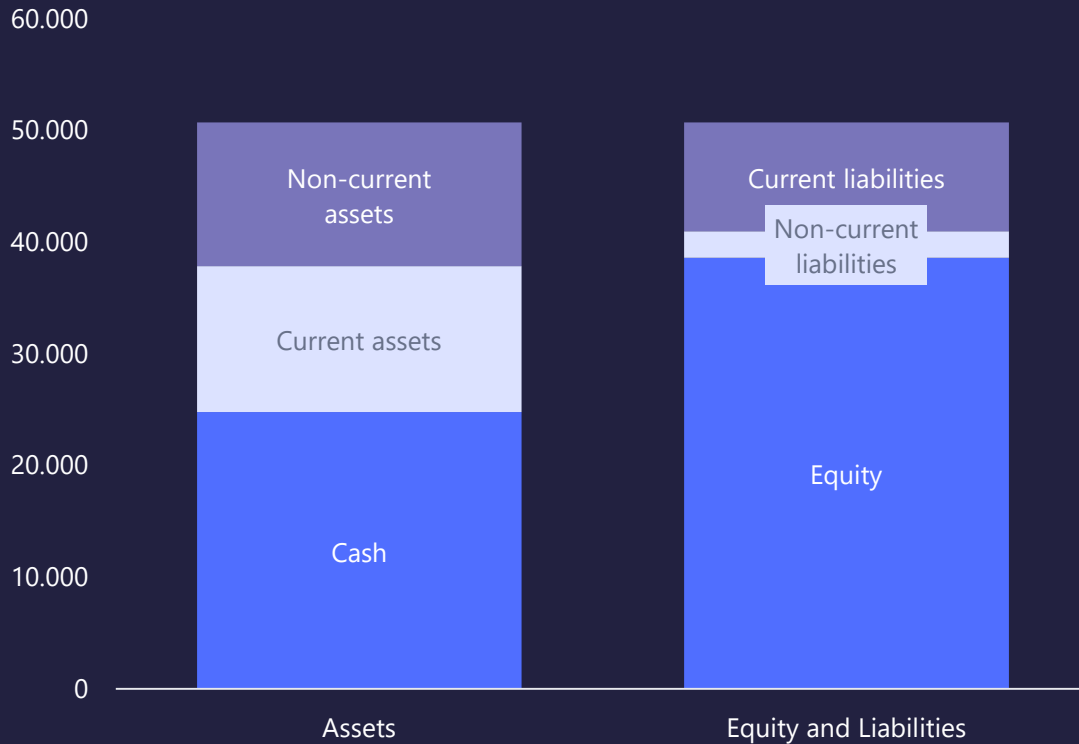


- Q2 2020 group gross margin was 51.4% (41.8%)
- First-half 2020 gross margin was 50.6% (42.2%)
- New business model, increased Data center prices, stronger U.S. dollar, product mix, and ongoing cost reductions contributed to margin improvement
- Second-half margin is expected to decrease vs. first half due to product mix changes and some additional costs
 - Around 47%-level expected for the full year

Strong balance sheet supporting long-term growth

Balance sheet

USD thousands as at June 30, 2020



- Strong cash position and low interest-bearing debt
- Solid and attractive partner for OEM customers
- Flexibility to develop and defend IP

Update on share buy-back program and warrants related share sales

- Share buy-back program to offset employee options launched in May
 - Targeting the repurchase of up to 1 million shares at a value of up to \$4.5 million
 - To be completed by September 2020
- On August 11, 2020, there were 25.8 million common shares outstanding including 0.7 million shares held in treasury

- Of the warrants outstanding, 0.3 million (with exercise price of NOK36.50) will expire in October 2020 to the extent they are not exercised
- Members of the management team has informed the company of their decision to exercise warrants and subsequently sell only enough shares to cover the investment and associated income taxes
 - The shares will be issued and transacted in near future

	Warrants from	Exercising warrants
		Qty
André Sloth Eriksen, CEO	2013-2016	325,405
Peter Dam Madsen, CFO	2013	37,800
John Hamill, COO	2013	32,500
Csaba Vesei, VP, Ops.	2013	21,500
Dipak Rao, VP Sales & Marketing	2013	13,207
Chris Christopher, Board member	2013	12,822
		443,234

Financial priorities

Priorities

Continued
profitable growth
and solid financial
platform

Value drivers

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

- Strong demand for Gaming and Enthusiast products driving expected Group revenue growth in 2020
- DIY business model transition and higher Data center prices contributing to increased gross margin and pre-tax profit
- Substantial pipeline of new Gaming and Enthusiast products to start shipping in second half
- Increased pipeline of Data center projects



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
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
- 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)	Q2 2020	Q2 2019	1H 2020	1H 2019	2019
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
Revenue	\$ 14,147	\$ 17,103	\$ 23,271	\$ 28,282	\$ 54,334
Cost of sales	6,872	9,947	11,498	16,357	31,329
Gross profit	7,275	7,156	11,773	11,925	23,005
Research and development	1,339	1,200	2,506	2,455	4,889
Selling, general and administrative	3,936	4,591	8,188	9,131	17,821
Other expense (income)	-	(753)	-	(753)	(753)
Total operating expenses	5,275	5,038	10,694	10,833	21,957
Operating income	2,000	2,118	1,079	1,092	1,048
Foreign exchange (loss) gain	(323)	(126)	(111)	38	218
Finance income (costs)	(37)	56	(28)	104	188
Total financial income (expenses)	(360)	(70)	(139)	142	406
Income before tax	1,640	2,048	940	1,234	1,454
Income tax (expense) benefit	(325)	(301)	(325)	(308)	(2,082)
Income for the period	1,315	1,747	615	926	(628)
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency translation adjustments	457	236	58	(94)	(444)
Total comprehensive income	\$ 1,772	\$ 1,983	\$ 673	\$ 832	\$ (1,072)
Income per share (in USD):					
Basic	\$ 0.05	\$ 0.07	\$ 0.02	\$ 0.04	\$ (0.02)
Diluted	\$ 0.05	\$ 0.07	\$ 0.02	\$ 0.04	\$ (0.02)

Balance sheet

Figures in USD (000's)

	30 Jun 2020	31 Dec 2019
	<i>Unaudited</i>	
ASSETS		
<i>Non-current assets</i>		
Intangible assets	\$ 1,933	\$ 1,920
Property and equipment	5,382	6,115
Deferred income tax assets	5,230	5,521
Other assets	336	307
Total non-current assets	12,881	13,863
<i>Current assets</i>		
Inventory	1,656	1,657
Trade receivables and other	11,413	14,080
Cash and cash equivalents	24,780	24,505
Total current assets	37,849	40,242
Total assets	\$ 50,730	\$ 54,105
EQUITY AND LIABILITIES		
<i>Equity</i>		
Share capital	\$ 423	\$ 423
Retained earnings	39,377	38,197
Translation and treasury share reserves	(1,192)	388
Total equity	38,608	39,008
<i>Non-current liabilities</i>		
Long-term debt	2,380	2,774
Total non-current liabilities	2,380	2,774
<i>Current liabilities</i>		
Short-term debt	1,345	1,518
Accrued liabilities	1,157	1,022
Accrued compensation & employee benefits	2,093	1,526
Trade payables	5,147	8,257
Total current liabilities	9,742	12,323
Total liabilities	12,122	15,097
Total equity and liabilities	\$ 50,730	\$ 54,105

Cash flow statement

Figures in USD (000's)	1H 2020	1H 2019	2019
	<i>Unaudited</i>	<i>Unaudited</i>	
Cash flows from operating activities			
Income for the period	\$ 615	\$ 926	\$ (628)
Depreciation and amortization	1,721	1,946	4,057
Finance income recognized	(49)	(187)	(359)
Finance costs recognized	78	83	171
Finance income, cash received	49	187	359
Finance costs, cash paid	(41)	(37)	(84)
Income tax expense	325	308	2,082
Cash receipt (payment) for income tax	-	-	(172)
Share based payments expense	501	539	1,056
Changes in trade receivables, inventories, other assets	2,674	3,858	2,234
Changes in trade payables and accrued liabilities	(2,476)	1,021	154
Net cash provided by (used in) operating activities	3,397	8,644	8,870
Cash flows from investing activities			
Additions to intangible assets	(700)	(716)	(1,441)
Purchase of property and equipment	(298)	(499)	(713)
Net cash used in investing activities	(998)	(1,215)	(2,154)
Cash flows from financing activities			
Funds drawn (paid) against line of credit	(212)	23	22
Repurchase of common shares	(1,638)	-	-
Proceeds from issuance of share capital	68	58	64
Principal payments on capitalized leases	(363)	(409)	(734)
Net cash provided by (used in) financing activities	(2,145)	(328)	(648)
Effect of exchange rate changes on cash and cash equivalents	21	34	(190)
Net changes in cash and cash equivalents	275	7,135	5,878
Cash and cash equivalents at beginning of period	24,505	18,627	18,627
Cash and cash equivalents at end of period	\$ 24,780	\$ 25,762	\$ 24,505
Supplemental disclosures -			
Property and equipment acquired under leases	\$ 78	\$ 271	\$ 413

Statement of equity

Unaudited

Figures in USD (000's)	Share capital	Translation reserves	Treasury share reserves	Retained earnings	Total
Equity at January 1, 2020	\$ 423	\$ 392	\$ (4)	\$ 38,197	\$ 39,008
Total comprehensive income - six months ended June 30, 2020					
Income for the period	-	-	-	615	615
Foreign currency translation adjustments	-	58	-	-	58
Total comprehensive income - six months ended June 30, 2020	-	58	-	615	673
Transactions with owners - six months ended June 30, 2020					
Shares issued	-	-	-	64	64
Shares repurchased	-	-	(1,638)	-	(1,638)
Share based payment expense	-	-	-	501	501
Transactions with owners - six months ended June 30, 2020	-	-	(1,638)	565	(1,073)
Equity at June 30, 2020	\$ 423	\$ 450	\$ (1,642)	\$ 39,377	\$ 38,608
Equity at January 1, 2019	\$ 422	\$ 836	\$ (4)	\$ 37,704	\$ 38,958
Total comprehensive income - six months ended June 30, 2019					
Income for the period	-	-	-	926	926
Foreign currency translation adjustments	-	(94)	-	-	(94)
Total comprehensive income - six months ended June 30, 2019	-	(94)	-	926	832
Transactions with owners - six months ended June 30, 2019					
Shares issued	-	-	-	60	60
Share based payment expense	-	-	-	539	539
Transactions with owners - six months ended June 30, 2019	-	-	-	599	599
Equity at June 30, 2019	\$ 422	\$ 742	\$ (4)	\$ 39,229	\$ 40,389



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