



Asetek – Q4 2022: Continued Market Challenges With Signs of Stabilization

- Fourth-quarter revenue of \$9.5 million compared with \$18.1 million in Q4 2021
- Gross margin of 41% compared with 42% in Q4 2021
- Full year revenue of \$50.7 million and EBITDA adjusted of negative \$0.8 million
- Positive Liquid cooling EBITDA in Q4 and for full-year 2022
- Quarterly OPEX reduced 28% YoY due to organizational rightsizing and reduced litigation
- Fully-underwritten rights issue of DKK 140 million (USD 20 million) to be launched in April 2023 to strengthen financial position
- Process initiated to list the company's shares on Nasdaq Copenhagen, with plan to de-list from Euronext Oslo Børs over time
- Full-year 2023 revenue growth expected in the range of 5% to 15% compared with 2022, with operating income projected in between \$2 to \$4 million

Asetek reported fourth-quarter revenue of \$9.5 million compared with \$18.1 million in the same period of 2021. Revenue in the full year 2022 was \$50.7 million compared with \$79.8 million in the same period last year. The change from prior year for both periods reflects a decline in shipments of liquid cooling products due to the continued challenging business climate.

Gross margin was 41% for the fourth quarter of 2022 compared with 42% in the same period of 2021. The margin in the fourth quarter of 2022 reflects a change in the product mix partly offset by a stronger U.S. dollar, when compared with the same period of prior year. Gross margin for the full year 2022 was 41% compared with 42% in 2021.

“While the general business climate remains challenging, we are seeing signs of our markets stabilizing with increased activity from our liquid cooling customers. This is reflected in a strong pipeline of planned new product releases going into the year. We recently started shipping our innovative wheelbases and steering wheels with very strong feedback from end-users in the racing community. This confirms the compelling value proposition we bring to gamers and enthusiasts, and with a reduced cost base and an agile organization, we are well positioned to capture the long-term growth potential as our markets normalize,” said André Sloth Eriksen the CEO of Asetek.

Operating loss was \$1.9 million and adjusted EBITDA was negative \$0.6 million in the quarter, compared with operating loss of \$0.6 million and adjusted EBITDA of positive \$0.7 million in the fourth quarter of 2021. For the full year, operating loss was \$5.4 million and adjusted EBITDA was negative \$0.8 million, compared with operating income of \$0.8 million and adjusted EBITDA of \$7.2 million in 2021.

Operating expenses of \$5.8 million were 28% lower than the fourth quarter of 2021. The cost savings were principally due to reduced staffing costs associated with headcount reductions, reduced litigation and a stronger U.S. dollar which had a favorable effect of approximately \$0.8 million. Depreciation and amortization amounted to \$1.1 million and share based compensation was \$150 thousand. Full-year operating expenses were \$26.2 million, 20% lower than for 2021.

During 2022, the Company invested \$22.2 million in property and equipment, including development of a new headquarters facility, and \$3.4 million in capitalized costs for the

development of new products. The Company drew \$18.6 million on a construction credit line during the year. During the fourth quarter, the Company expanded the total credit line available from its main bank to DKK 205 million (USD 29.3 million).

As of December 31, 2022, the Company had working capital of negative \$6.3 million and non-current liabilities of \$1.7 million.

The Company believes that its cash position and the liquidity available from its operations, external borrowings and other sources currently available to it is sufficient to satisfy its working capital requirements until around mid-May 2023. From then on, the Company expects a cash shortfall mainly as a result of cash balances (including cash inflows from operations) being allocated to capital expenditures related to the construction of a new headquarters facility. On that basis, the Company's primary provider of credit bank has requested an equity capital injection in order to continue the credit facilities, which are necessary for the company to service its payment obligations. As a result, the Company plans to raise gross proceeds of approximately DKK 140 million (USD 20 million), with expected net proceeds of DKK 115 million (USD 16 million), in a fully underwritten rights issue.

The equity offering is expected to be launched in April 2023 and the net proceeds are expected to be available on or around May 15, 2023. In addition, Management has discussed short-term debt financing with a bank to secure financing if a shortfall occurs before the funding is received from the planned equity offering. The bank has indicated willingness to provide bridge financing for the shortfall period. The fully underwritten rights issue is subject to certain customary conditions, including finalization of the committed loan agreement and approval of the rights issue at an extraordinary general meeting of Asetek.

The Company's shares have been admitted to trading and official listing on Oslo Børs since 2013. The Board of Directors of Asetek believes that it is now an appropriate time to broaden the shareholder base. In connection with the Rights Issue, the Company therefore intends to apply for a temporary dual listing of the shares on Nasdaq Copenhagen A/S. The dual listing will be temporary as the Company intends to explore the option of delisting from Oslo Børs, which will, among other things, be subject to approval by Oslo Børs and the Company's general meeting.

At December 31, 2022, total assets were \$78.6 million (\$75.4 million at December 31, 2021) and total equity was \$42.7 million (\$48.4 million). The main factors affecting the change in assets were net additions to property, plant and equipment of \$19.4 million, partly offset by decreases in trade receivables of \$6.5 million associated with lower sales volume. The Company also utilized \$15.9 million of cash and equivalents for funding construction of the headquarters facility, the operating loss and investment in the new SimSports business.

OPERATIONS

In the fourth quarter, the Company announced its 8th generation and most advanced liquid cooling technology to date, made first available in the ASUS ROG RYUO III ARGB Series CPU coolers. Asetek also announced that its technology is powering EVGA's highest-performing CPU cooler series to date, the EVGA CLX.

Six new products began shipping in the fourth quarter, all liquid coolers, two of which feature the Company's new 8th generation technology. In the first quarter, twenty-four new liquid cooling products and eight new SimSports products are expected to begin shipping. In the fourth quarter, Asetek shipped 157 thousand sealed loop coolers compared with 302 thousand in the fourth quarter of 2021.

The Company unveiled several new SimSports products including Invicta™ and Forte™ direct drive wheelbases, Forte Formula steering wheels, and product bundles which include racing pedals, wheelbase and steering wheel. These new offerings, available for shipment in the first quarter of 2023, bring full immersion to sim racing for all levels of gamers. The current order backlog for SimSports products is in the range of \$2 to \$3 million. To expedite SimSports product deliveries to consumers and resellers in North America, Asetek established a U.S.-

based hub during the fourth quarter.

OUTLOOK

High inflation, rising interest rates and geo-political tensions continue to impact into 2023. At the same time, there are early signs of market stabilization as the impact of pandemic lockdowns and supply chain disturbances start to ease. Discretionary consumer spending remains subdued, but the Company is experiencing increased demand for the Liquid cooling and SimSports products for gamers and enthusiasts, reflected also in the forecasts provided by OEM customers. However, visibility is low in the current environment, and the Company maintains its focus on cost efficiencies and product development.

Considering a continued volatile global situation, revenue growth for 2023 is expected to be nearly back to normal for the Company, in the range of 5% to 15% compared with 2022. This outlook considers the possibility of further supply chain disruptions, continued general geo-political tensions, no Data center revenue (\$4 million for full-year 2022), as well as an overall expectation that the business climate will normalize over the course of the year. Operating income is projected to be between \$2 and \$4 million in 2023.

Annual Report

The 2022 Annual Report will be released separately later today pending finalization of the ESEF tagging audit.

Conference call and webcast

CEO André Sloth Eriksen and CFO Peter Dam Madsen will present the Company's results today 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 results webcast via the following link:
<http://events.q4inc.com/attendee/650966551>

Conference call – audio only:

Please dial in 5-10 minutes prior using the phone numbers:

Denmark	+45 8987 5045
Germany	+49 32 22109 8334
Norway	+47 8150 3308
United Kingdom	+44 20 3936 2999
United States of America	+1 646 664 1960

Access code: 363871

Material:

The fourth quarter 2022 earnings release, presentation and Annual Report will 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.

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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About Asetek:

Asetek (ASTK.OL), a global leader in mechatronic innovation, is a Danish garage-to-stock-exchange success story. Founded in 2000, Asetek established its innovative position as the leading OEM developer and producer of the all-in-one liquid cooler for all major PC & Enthusiast gaming brands. In 2013, Asetek went public while expanding into energy-efficient and environmentally friendly cooling solutions for data centers. In 2021, Asetek introduced its line of products for next level immersive SimSports gaming experiences. Asetek is headquartered in Denmark and has operations in China, Taiwan and the United States.

This information is subject to the disclosure requirements pursuant to Section 5-12 of the Norwegian Securities Trading Act.