

## Share information



Ytd	-52.6%	1 year:	-73.1%
1 month:	-7.6%	3 year:	N/A

Note: \*We apply the closing price from 13 August 2024. Index rebased to August 2023. Share data reflects listing in Copenhagen. Source: CapitalIQ

## Financials

USDm	2022	2023	2024E*
Revenue	50.7	76.3	52 - 55
Revenue growth	-36.5%	50.7%	-32% to -28%
Adj EBITDA	-0.8	15.9	0.5 - 2.2
Adj EBITDA margin	-2.2%	20.8%	1-4%
Adj EBIT	-5.4	9.4	N/A
Adj EBIT margin	-10.7%	12.3%	N/A
Net income	-4.3	6.0	N/A
Net income margin	-8.5%	7.9%	N/A
Net debt	14.3	9.3	N/A

Note: \*Asetek's own 2024 guidance.

## Valuation multiples

	2022	2023	2024E*
P/S (x)	0.6	0.7	0.5
EV/Sales (x)	0.9	0.8	0.8
EV/Adj EBITDA (x)	-57.8	4.0	19-82
EV/Adj EBIT (x)	-8.5	6.9	N/A
P/E (x)	-7.3	9.4	N/A
P/B (x)	0.2	0.1	N/A
P/CF (x)	N/A	0.6	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers from S&P, CapitalIQ. \*Multiples in 2024 are based on Asetek's own guidance

## Company description

Asetek is a Danish designer, manufacturer, and seller of high-end gaming hardware and is a leading producer of liquid cooling solutions for computer enthusiasts and gamers to major OEM gaming brands. Additionally, the company produces a range of high-end SimSports products for sim racing, an area it increasingly allocates resources towards. Asetek has side-lined its liquid cooling for data centre operations, which may be restarted if regulations develops favourably, and a solid business case is presented.

## Investment case

Asetek's gaming hardware (Liquid Cooling) and gaming simulator (SimSports) markets are forecast for annual growth rates of 9%<sup>1</sup> and 16%<sup>2</sup>, respectively, over the next 5 years as the company is well positioned to capitalise on the digitalisation trend.

Asetek has a profitable liquid cooling business which remains profitable despite recent pressure, including from lower cost Chinese alternatives. The liquid cooling cash flows are directed towards investments in SimSports, where Asetek sees a significant market opportunity in the large (~USD 500m<sup>(1)</sup>), fast-growing, and fragmented market. Asetek is guiding for 40-60% y/y growth in its SimSports segment as the market continues developing positively.

However, the mid-term outlook for Liquid Cooling has become more uncertain, as per Asetek's guidance revision on 01.07.2024, maintained after its Q2 2024 report, with reduced profitability now expected due to a large customer exiting the market and overall competitive pressures in Asian markets. As a result, liquid cooling cash flows are no longer expected to fully support the scale-up of its SimSports. This may signal future debt or equity capital needs, somewhat mitigated by a USD 3m cost-saving program taking full effect from Q1 2025.

Overall, Asetek has faced highly adverse market conditions, which may rebound under improving macro conditions. The successful scale up of SimSports has high potential but is not guaranteed.

<sup>1</sup>Asetek Annual Report 2023, via Statista

<sup>2</sup><https://www.marketsandmarkets.com/Market-Reports/racing-simulator-market-247895850.html>

## Key investment reasons

SimSports activities continue to develop positively with 40-60% growth expected FY2024. Continued strong development despite broader gaming hardware weakness is a positive signal, and while the timeline towards profitability is uncertain the market size, and appetite for Asetek's products is growing. Future production outsourcing to Asia, as was successfully done with liquid cooling, can improve unit SimSports' economics once scale is achieved.

Asetek has been a cyclical business following a Covid-19 lockdown-driven boom, and inflation/interest rate driven reversal. Improving macro conditions, including falling interest rates, and new product launches may lift demand for premium gaming hardware.

Asetek's market value has adjusted lower following its revised guidance. An improving outlook based on delivering at or above its guidance range and longer-term margin rebound could see Asetek's EV/Sales multiple expand back towards its peer's average.

## Key investment risks

A significant guidance revision 01.07.2024, driven by weak market conditions, a larger customer exit, and competition in Asia from low-cost Chinese products has increased liquid cooling uncertainty. Margins will likely remain lower, particularly in Asia, despite retaining a strong premium market position. There is also a risk that Asetek fails to capture a leading position in its SimSports market and/or that the industry does not develop as expected.

Asetek's customers are highly concentrated, with 92% of liquid cooling sales YTD 2024 from top 5 customers. A larger customer exited the market in 2024, and another has downscaled due to adverse market conditions. Asetek is thereby exposed to third-party risks as it doesn't sell directly to end-user markets.

Weaker cash flows from liquid cooling on an ongoing basis, reduces the ability to finance SimSports investments and increases the probability of future financing, which may be dilutive.

## Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/Sales		EV/EBITDA		P/E		EBIT margin	
					FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	3-yr avg	LTM
Fractal Gaming Group AB	SEK 39.7	13.8%	100	-0.8	1.9	1.2	31.9	6.8	11.0	11.1	5.9%	14.1%
Corsair Gaming, Inc.	USD 6.7	-52.6%	636	95	1.2	1.1	74.6	16.0	24.3	17.8	1.3%	-1.7%
Micro-Star International Co.	TWD 171	-16.2%	4,068	-620	0.8	0.8	12.5	13.1	17.9	15.1	6.9%	4.2%
Turtle Beach Corporation	USD 14.9	36.2%	282	35	0.8	0.7	NA	21.0	NM	42.7	-0.3%	0.8%
<b>Median</b>		<b>-1.2%</b>	<b>459</b>	<b>17.3</b>	<b>1.0</b>	<b>1.0</b>	<b>31.9</b>	<b>14.6</b>	<b>58.5</b>	<b>23.6</b>	<b>3.6%</b>	<b>2.5%</b>
<b>Asetek A/S</b>	<b>DKK 1.8</b>	<b>-52.6%</b>	<b>24</b>	<b>-6.0</b>	<b>0.8*</b>	<b>0.5*</b>	<b>4.0*</b>	<b>19-82*</b>	<b>9.4*</b>	<b>NA</b>	<b>1.6%</b>	<b>2.7%</b>
Premium (+) / Discount (-) to peers					-20%	-48%	-87%	32% - 462%	-60%	N/A		

Note: Data from 14/08/2024

Note: \* multiples calculated by HCA based on historical figures and Asetek's own guidance

Source: CapitalIQ

Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates (Mean estimates) from Refinitiv. Some peers have no or limited analyst cover; hence N/A shows for some data points. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv a credible source of information.

## **Peers Group overview:**

Peer group overview: Asetek's peer group consists of companies engaged in the manufacture of gaming hardware and SimSports equipment. Corsair is a leading competitor to Asetek in the liquid cooling segment, while Endor is a market leader within sim racing sim equipment manufacture. Asetek's peers generally share a greater market cap than Asetek, but we feel comparison remains appropriate.

Fractal Gaming Group: is a Swedish company that operates in the gaming and esports industry. The company designs and manufactures a wide range of gaming peripherals, including cases, power supplies, cooling solutions, and other PC components, with a primary focus on premium PC cases for gamers. Fractal is a customer of Asetek's liquid cooling systems, as a core component to Fractal's liquid cooling systems.

Corsair Gaming: is a US-based company that designs, manufactures, and sells high-performance gaming peripherals and hardware. The company's products include gaming keyboards, mice, headsets, and PC components such as cooling systems, power supplies, and memory modules. Corsair Gaming primarily targets gamers and PC enthusiasts and also offers a range of products and services for streaming and content creation, such as microphones and webcams. Corsair develops a liquid cooling system in partnership with Asetek's leading competitor CoolIT.

Micro-star International: also known as MSI, is a Taiwan-based multinational electronics company that specialises in computer hardware. The company's products include motherboards, graphics cards, laptops, desktops, and other gaming peripherals. MSI is a well-known brand in the gaming industry, and its products are aimed at gamers and PC enthusiasts. The company has a strong presence in Asia, Europe, and North America, and it has a significant market share in the gaming motherboard and graphics card markets.

Turtle Beach Corp: is a US-listed gaming hardware equipment producer. It is the market leader for gaming headsets in the US, also producing SimSports hardware, including eRacing since 2024 (entry level), and other segments include PC gaming accessories and gaming controllers. Turtle Beach Corp sells its products globally under its own brand.