

# ASETEK



Market: Euronext Oslo &amp; OMXS Small Cap

Ticker: ASTK

Share price (NOK): 5.38

Market cap (NOKm): 561

Net debt (NOKm): 172

Enterprise value (NOKm): 733

## Share information



Ytd: -9.0% 1 year: -58.1%  
1 month: 96.9% 3 year: -81.2%

Note: \*We apply the closing price from 24 May 2023  
Index rebased to May 2022. Source: Refinitiv

## Financials

USDm	2021	2022	2023E*
Revenue	79.8	50.7	53.2-58.2
Revenue growth	9.7%	-36.5%	5-15%
Adj EBITDA	7.2	-0.8	N/A
Adj EBITDA margin	9.0%	-2.2%	N/A
Adj EBIT	0.8	-5.4	2-4
Adj EBIT margin	1.0%	-10.7%	3.6-7.2%
Net income	1.3	-4.3	N/A
Net income margin	1.7%	-8.5%	N/A
Net debt	3.2	c. 16**	N/A

Note: \*Asetek's own 2023 guidance. Note\*\* estimated by HCA

## Valuation multiples

	2021	2022	2023E*
P/S (x)	1.6	0.7	1.2-1.3
EV/Sales (x)	1.3	0.9	1.5-1.6
EV/Adj EBITDA (x)	14.7	-59.3	N/A
EV/Adj EBIT (x)	135.5	-8.8	21.9-43.8
P/E (x)	94.0	-7.7	N/A
P/B (x)	2.6	0.8	N/A
P/CF (x)	8.8	N/A	N/A

Note: Multiples for 2021 and 2022 are based on historical numbers from Refinitiv  
\*Multiples in 2023 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 supplier 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 centres operations which might drive future growth if regulatory changes improve its unit economics.

## Investment case

Asetek's liquid cooling and gaming simulator markets are forecast towards annual growth rates of 14.7%<sup>1</sup> and 17.6%<sup>2</sup>, respectively, over the coming years as the company is well positioned to capitalise on the macro trend of digitalisation.

Following Q1 2023, Asetek has shown positive earnings development following a turbulent 2022 affected by a post-pandemic demand drop, inflation, and company resizing. Asetek realised a negative EBIT in 2022, and liquidity conditions were constrained due to financing of its new HQ, operating loss and investment in its SimSports segment. However, Asetek's recently finalised rights issue raised USD 20m gross proceeds (approx. 16.5m net proceeds), which, in combination with returning to positive operating profit in Q1 2023, reduces pressure.

Q1 2023 saw revenues rise driven by a more favourable product mix within liquid cooling and scaling up of SimSports activities. Reduced OPEX from resizing also benefited earnings. Asetek guides for an EBIT of USD 2-4m for 2023, realising USD 1.1m in Q1, as its liquid cooling segment continues to generate cash flows which can support the scale-up of its SimSports activities. Its reality-like SimSports have been well received across is multiple price points, and Asetek pursues a foothold in a fragmented market where the industry leader earned revenues of EUR 17.3m in Q1 2023<sup>3</sup>.

<sup>1</sup><https://www.globenewswire.com/en/news-release/2022/09/01/2508278/28124/en/Insights-on-the-Liquid-Cooling-Systems-Global-Market-to-2027-Robust-Growth-in-Data-Centers-Gaming-Computers-Presents-Opportunities.html>  
<sup>2</sup>SimSports: <https://uk.finance.yahoo.com/news/global-gaming-simulators-market-forecast-124400006.html>  
<sup>3</sup><https://endur.ag/investor-relations/?lang=en>

Note: Data from 25/05/23

## Key investment reasons

Asetek looks to return to revenue and EPS growth under a reduced cost structure and more normalised market conditions in 2023. The company cut its OPEX run rate in Q3 2022, following company resizing and the settlement of a long-running legal case, with operating expenses down 25% YoY in Q1 2023.

Asetek's liquid cooling segment strengthened its profitability in Q1 2023, with an EBITDA margin of 35%, as new products improved the sales mix. Asetek's liquid cooling cash flows can support the scale-up of its SimSports segment, helping Asetek attain its long-term revenue growth ambition of 15% annualised growth.

Asetek has raised capital following a rights issue which eases liquidity constraints. The rights issue was significantly dilutive, and the share price has responded appropriately. The momentum in Q1 2023 may suggest current guidance is conservative, and upside potential may exist if Asetek reaches the top end of its guidance.

## Key investment risks

There is a risk that revenue and EPS growth does not materialise due to a global recession weakening demand or resulting from a loss of market share. 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 share may also face heightened volatility as it transitions to Nasdaq Copenhagen.

Asetek's customers are highly concentrated, with its five largest customers contributing 92% of revenue in Q1 2023. Therefore, the loss of a major customer would have a material impact on Asetek's earnings. While this remains unlikely, Asetek has previously lost a major client, losing Corsair Gaming, to competitor CoolIT in 2019.

Asetek has faced liquidity constraints arising from financing its new HQ, SimSports investments and negative cash flows from operations. Its recent rights issue has eased liquidity tightness, but a return to negative operating profits could see liquidity worsen.

## Peer group

Company	Price (local)	Total return Ytd	Market cap (EURm)	Latest net debt (EURm)	EV/Sales 2023E	EV/Sales 2024E	EV/EBIT 2023E	EV/EBIT 2024E	Price/EPS 2023E	Price/EPS 2024E	Net debt / EBITDA 2023E	Net debt / EBITDA 2024E
Fractal Gaming Group AB	SEK 35.0	62.4%	89	6	1.6x	1.5x	11.9x	9.6x	15.6x	9.6x	0.3x	-0.1x
Corsair Gaming Inc	USD 19.2	41.6%	1,824	46	1.4x	1.3x	23.8x	18.8x	32.5x	18.8x	-0.2x	-0.3x
Micro-Star International Co Ltd	TWD 161.0	34.7%	4,245	-411	0.7x	0.6x	10.3x	8.6x	13.2x	8.6x	-2.3x	-2.4x
Endor AG	EUR 8.5	-35.1%	132	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Average</b>		<b>25.9%</b>	<b>1,573</b>	<b>-120</b>	<b>1.2x</b>	<b>1.1x</b>	<b>15.3x</b>	<b>12.4x</b>	<b>20.4x</b>	<b>12.4x</b>	<b>-0.7x</b>	<b>-0.9x</b>
<b>Asetek A/S</b>	<b>NOK 5.4</b>	<b>-9.0%</b>	<b>48</b>	<b>13</b>	<b>1.1x</b>	<b>0.9x</b>	<b>20.3x</b>	<b>7.6x</b>	<b>16.4x</b>	<b>8.2x</b>	<b>1.9x</b>	<b>N/A</b>
Premium (-) / Discount (-) to peers					-8%	-17%	33%	-38%	-20%	-34%		

Note: Data from 25/05/23

Source: Refinitiv

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.

## **Selected gaming hardware and SimSports peers 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 all 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: 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: 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.

Endor: Endor AG is a German-based company that develops and markets sim racing equipment, such as steering wheels and pedals for consoles and PCs as well as driving school simulators through its brand Fanatec. Endor is a market leader in the sim racing sector and directly competes with Asetek in the sim racing space.