

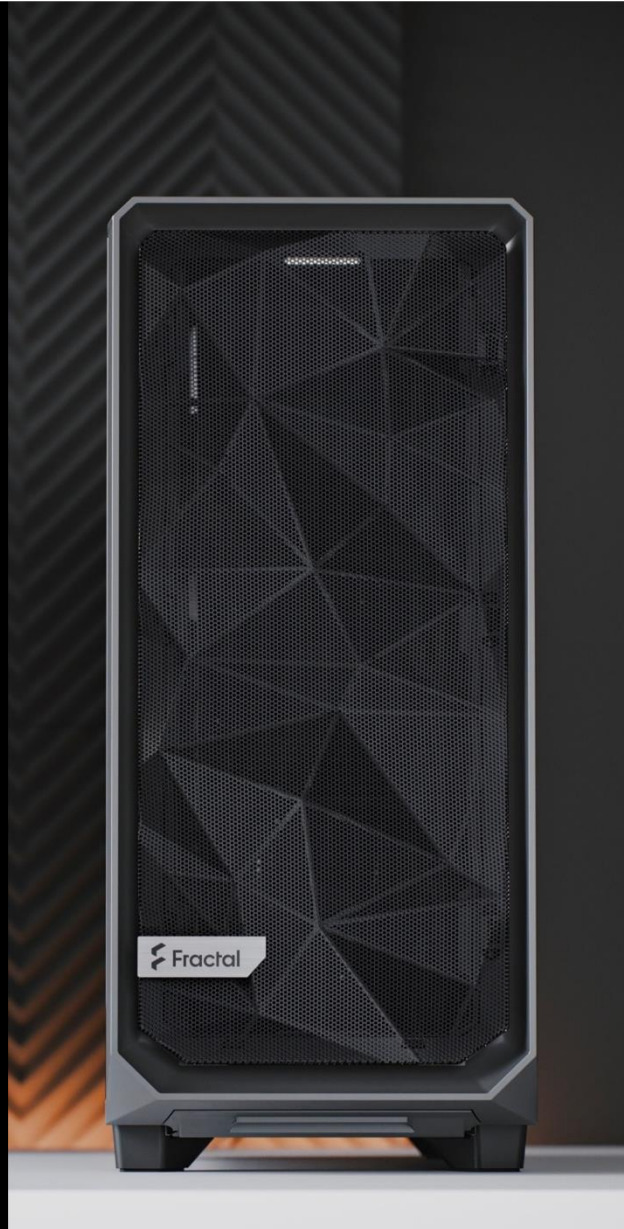


21 MAY 2021

# Q1 2021 Report

Hannes Wallin, CEO / Karin Ingemarson, CFO

Fractal is a leading company in the premium segment of PC gaming products.



# Top 3

Global market position.

# Premium brand

performance, design and quality

# Rank 1

in the Nordics.

# 50+ countries

Truly global reach



CASES  
**80%**

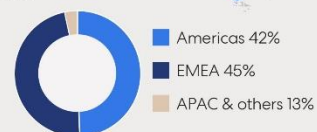
FANS, COOLING  
& POWER SUPPLIES  
**20%**

**SEK 654m** Net Sales

**40%** Organic revenue CAGR<sup>1)</sup>

**19%** Adj. EBIT margin

**>5,000,000** gaming products sold since inception



Power supply units



Fans and cooling



Cases



Note: 1) CAGR 2017-2020

# Strong market growth by several underlying trends

- 1

Growing number of gamers

2.7bn

Number of gamers globally across all platforms<sup>1)</sup>
- 2

Increasing share of competitive and committed gamers

+13%

growth in competitive / committed segment<sup>2)</sup>
- 3

Accelerated growth within eSports

+18%

growth in global eSports market<sup>3)</sup>
- 4

Streaming is becoming mainstream entertainment

+30%

growth in average concurrent viewers on Twitch since 2017<sup>4)</sup>
- 5

PC is the platform of choice

+98%

of top 100 eSports professionals play on PC<sup>5)</sup>
- 6

Increasingly performance-demanding games

+181%

Increase in processing power of Nvidia's flagship GPUs 2018 to 2020<sup>6)</sup>
- 7

Gamers love hardware

+20m

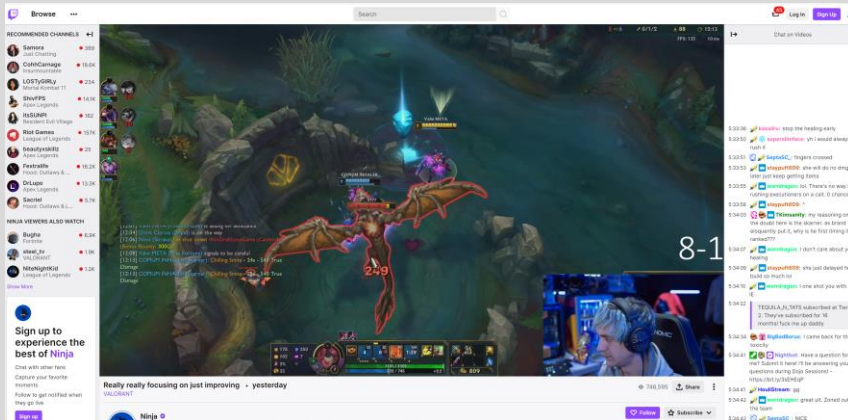
Gaming-related "how-to" videos uploaded on YouTube

Note: 1) Total number of gamers globally across all platforms, 2020. 2) CAGR 2019-2023E. 3) CAGR 2019-2023E, global eSports market. 4) CAGR 2017 - Q2 2020. 5) Ranked by all-time earnings. 6) GFLOPS: Nvidia GeForce RTX 2080 (September 2018) vs. Nvidia GeForce RTX 3080 (September 2020).  
Source: Business of Apps, CPUbenchmark, Newzoo, Technavio, eSportsearnings.

# Streaming via Twitch continues to deliver new records

Twitch is a live streaming platform for gamers & non-gamers that either play/stream or watch computer games.

The platform is commonly used as a popular benchmark for measuring gaming and industry growth and interest as well as a popular gate opener for new consumers getting into gaming and building their first computer.



Hours watched	Streams
<b>2,8 bn 2021</b>	<b>24 m 2021</b>
<b>1,7 bn 2020</b>	<b>17 m 2020</b>

April 2020 vs 2021

A significant upward shift during 2020

PRE-COVID-19

POST-COVID-19

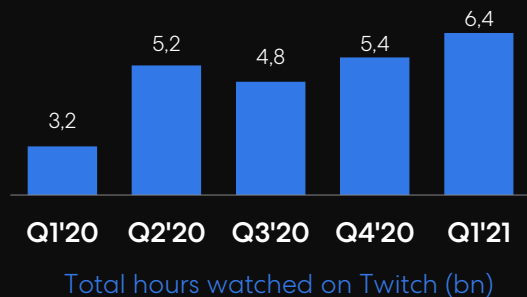
**Gamers play more**

**63% → 74%**  
% of gamers playing >5h per week

**Gamers spend more**  
after<sup>1)</sup> COVID-19

**100 → 121**  
Monthly gaming spend (index 100)

**Higher eSports viewership**



Note: 1) Gamers' estimated behaviour after COVID-19 – significantly higher during COVID-19.  
Source: DFC Intelligence, Simon-Kucher & Partners, Twitchtracker.

# Q1 Highlights

Continued strong sales growth  
+13% in SEK and +29% in USD.

EBITDA adj. at same level as Q1 2020 due  
to lower gross margin and higher costs.

Successful listing on Nasdaq First North  
Premier on February 11.



## Net sales

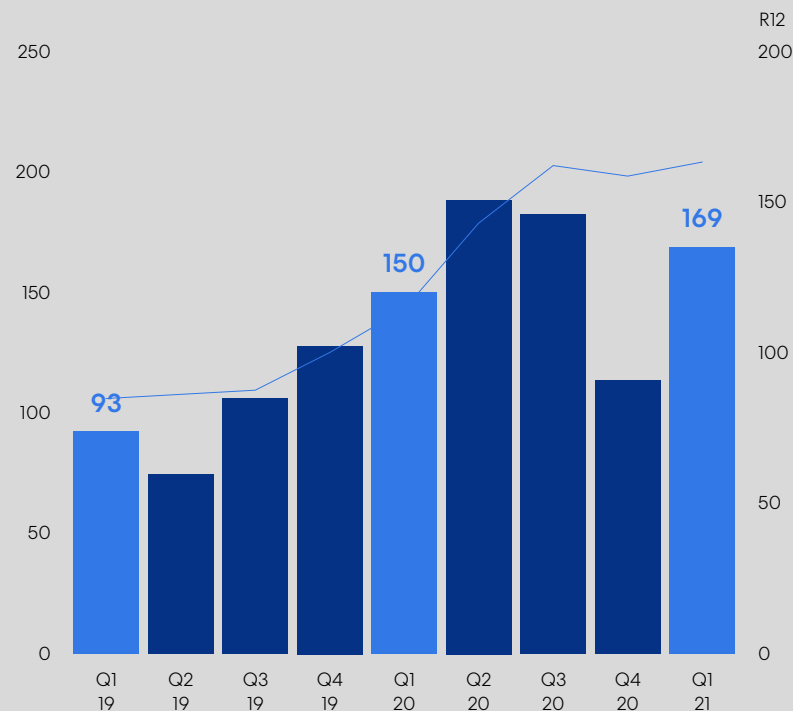
Net sales increased by 13% to 169 SEKm (150), with an organic growth of 29%.

Sales out grew by 12% organically.

The discrepancy between the organic growth in Net sales (29%) and Sales out (12%) has to do with refilling stock at our customers and selling in new products with a delay to the market.

Continued strong sales of cases and high sales of Other products. Sales of cases hampered by limited supply of semi conductors used in graphics cards.

Sales of power supplies have been particularly strong during the first quarter, mainly in EU.



Net sales, MSEK

## Segment development

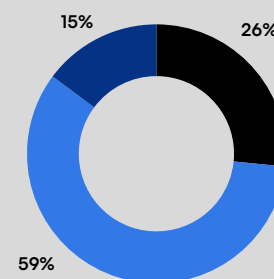
Strongest sales in EU with 59% of total net sales, followed by Americas with 26% and APAC & Other with 15%.

Sales of cases is in line with previous year. In Americas cases decreased by 18% but increased in APAC & Other by 47% and by 1% in EU.

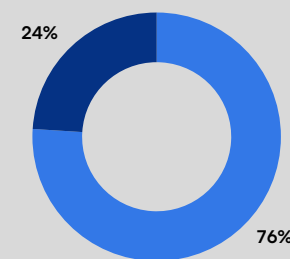
Sales of Other products, especially power supplies, was strong and grew by 127% in EU and by 133% in APAC & Other. Sales of Other products was in line with previous year in Americas.

### NET SALES BY GEOGRAPHY AND SEGEMENT

MSEK	Business segment					
	Cases Q1		Other Q1		Total Q1	
	2021	2020	2021	2020	2021	2020
<b>Geographic market</b>						
Americas	40,7	49,4	4,3	4,3	44,9	53,7
EU	68,4	67,8	30,7	13,5	99,1	81,3
APAC & Other	18,7	12,7	6,3	2,7	25,0	15,4
<b>Total, net sales</b>	<b>127,8</b>	<b>129,9</b>	<b>41,3</b>	<b>20,5</b>	<b>169,1</b>	<b>150,4</b>



■ Americas ■ EU ■ APAC & Other



■ Cases ■ Other

# Earnings

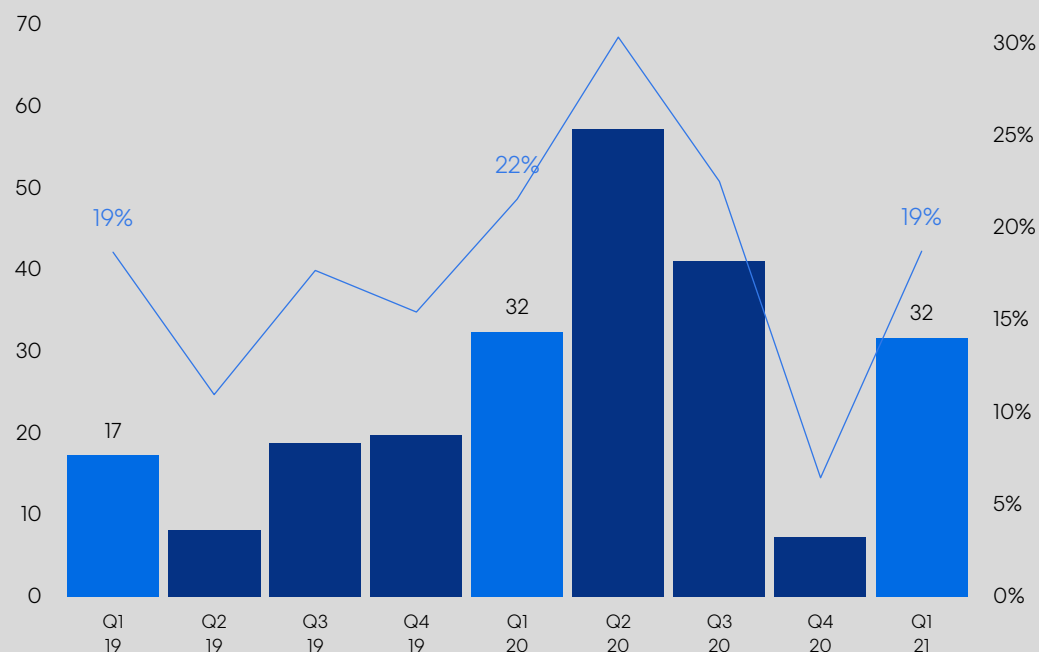
Adjusted EBITDA was 32 MSEK (32) and the margin was 19% (22).

Adjustments related to costs for the listing amounted to 21 MSEK (0).

Unfavorable currency effect but also larger share of sales of products with lower margins.

Higher cost for freight due to the logistical situation but is expected to normalize during the year.

Increased costs for raw materials and imposed tariffs have not significantly affected the first quarter due to high opening inventory. Mitigating price increases are planned.



Adjusted EBITDA (MSEK) and  
adjusted EBITDA-margin (%)

# Cash flow

MSEK	Q1		LTM Q1 2021	Full year 2020
	2021	2020		
EBITDA	10,6	32,4	103,9	125,7
Change in NWC	-39,9	-31,8	-49,9	-41,8
Net tangible and intangible capital expenditure	-8,8	-4,0	-25,9	-21,1
Operating cash flow	-38,1	-3,3	28,0	62,8

Operating cash flow is affected by lower EBITDA, change in NWC and investments.

The change in NWC is mainly related to increased accounts receivables, and reduced account payables , but also decreased inventory.

Cash flow from investing activities amounted to -8,8 MSEK (-3,3) and is related to development of new products.

1. Continued strong sales and organic growth of 29%. Net sales is 100% denominated in USD.
2. Product margin affected by unfavorable currency, higher sales of lower margin products and increased freight cost. Cost for raw materials is 100% denominated in USD.
3. Other external costs affected by one-time costs of 21 MSEK related to the listing. Other external costs and personnel costs are denominated in SEK to ~46%, USD to ~42% and other currencies ~12%
4. Financial net mainly related to interest expenses and FX translation effect.

## Income statement

MSEK		Q1		LTM Q1	Full year
		2021	2020	2021	2020
1	Net sales	169,1	150,4	654,4	635,7
	Capital development expenditure	3,6	1,6	7,5	5,6
	Other revenue	0,8	2,5	8,9	10,6
	Revenue	173,5	154,5	671,0	652,0
2	Goods for resale	-110,3	-93,0	-412,2	-394,9
3	Other external expenses	-39,1	-16,2	-101,3	-78,4
	Personnel expenses	-13,4	-12,8	-53,5	-52,9
	Depreciation of tangible and amortisation of intangible assets	-3,0	-2,3	-11,0	-10,3
	Operating profit	7,6	30,1	93,0	115,5
4	Financial net income/expenses	-2,2	-0,5	-8,5	-6,8
	Profit before tax	5,4	29,6	84,5	108,7
	Income tax	-1,3	-5,9	-20,0	-24,7
	Net profit for the period	4,2	23,7	64,5	84,0

# Financial targets

Financial metric	Fractal's target	LTM Q1 -21	
Revenue growth	Fractal Design aims to achieve an annual organic growth in net sales (USD) of above 10% from 2022 and onwards.	>10%	54%
Profitability	Fractal Design aims to achieve an adjusted EBITDA margin of 20%.	20%	21%
Dividend policy	Fractal Design's target is to pay out 30–50% of its net earnings while also taking into account other factors such as financial position, cash flow and growth opportunities.	30–50%	N/A

# Current activities and priorities

## **Product launches and marketing**

Meshify 2 Compact launched in the quarter well received. Additional launches in H2 2021.

## **Cost management**

Mitigating impact from tariffs from US market.  
Mitigating raw material and FX cost impact.

## **Strengthened Supply Chain Management**

New VP of SCM driving sourcing, logistics, quality and sustainability.

# Strategic direction

## **Continue on successful track**

Delivering best in class products with excellent service.

**Expand product portfolio** to suitable adjacent categories.

## **Improve marketing efforts**

Increase presence on key platforms.

## **Geographical expansion**

Build a stronger foothold in China and Southeast Asia.

# Summary

Continued strong organic growth.

EBITDA adj. in line with Q1 2020.

Shortages in components, increased raw material costs and re-implemented US tariffs is a challenge for the PC Gaming industry.

Record high interest in gaming.

Focus on on strategic growth initiatives to capitalize on market opportunities.



# Q&A

