

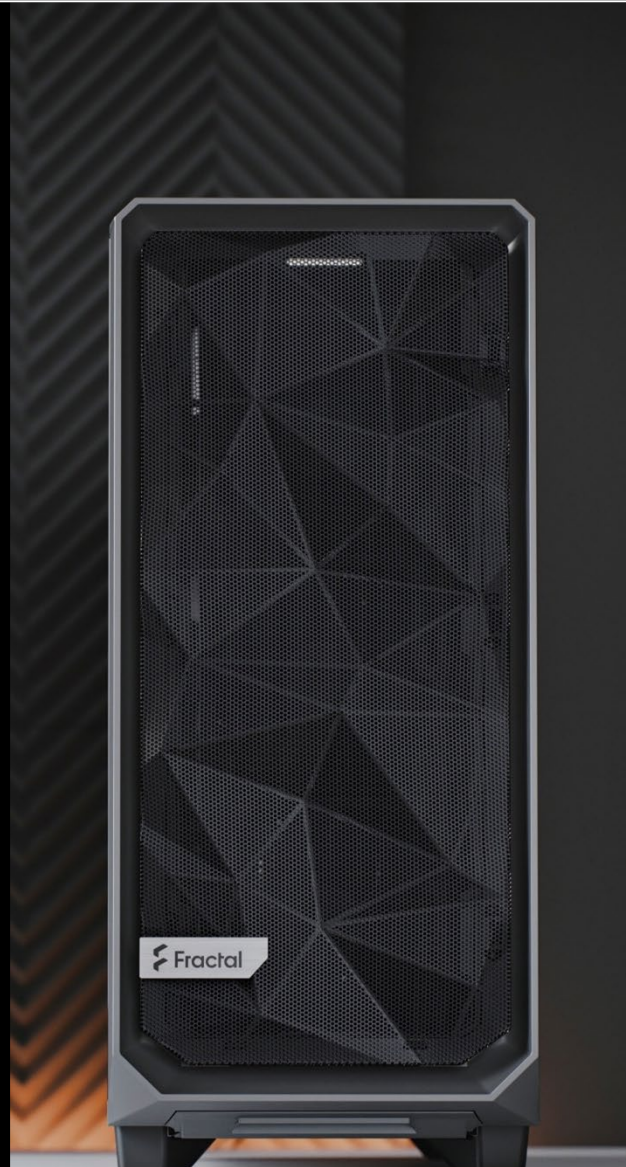


20 AUGUST 2021

# Q2 2021 Report

Hannes Wallin, CEO / Karin Ingemarson, CFO

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



# Q2 Highlights

Sales declined 45% in SEK and 38% in USD. Tough comparables with +100% growth in Q2 2020.

Shortage of Graphics cards continued to hamper demand for High-performance PC-gaming Cases.

Delayed shipments from China in June due to local Covid-19 outbreak.

Increased market shares in key markets such as US, Germany and UK.

EBITDA adj. declined vs. Q2 2020 due to lower sales volumes, higher share of products with lower margin and increased costs.

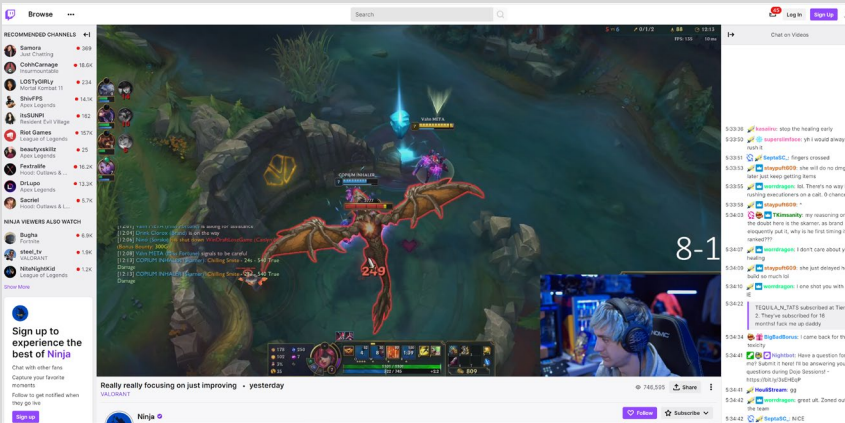
Record high interest in high performance gaming and e-sport. Hours viewed during Q2 continued to increase by 26% vs. Q2 2020.



# 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  
**1.9 bn, 2021**  
**1.5 bn, 2020**

Streams  
**21 m, 2021**  
**18 m, 2020**

July 2020 vs 2021

A significant upward shift during 2020

PRE-COVID-19

POST-COVID-19

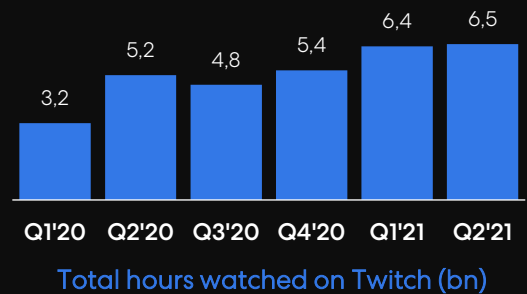
**Gamers play more**

**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**

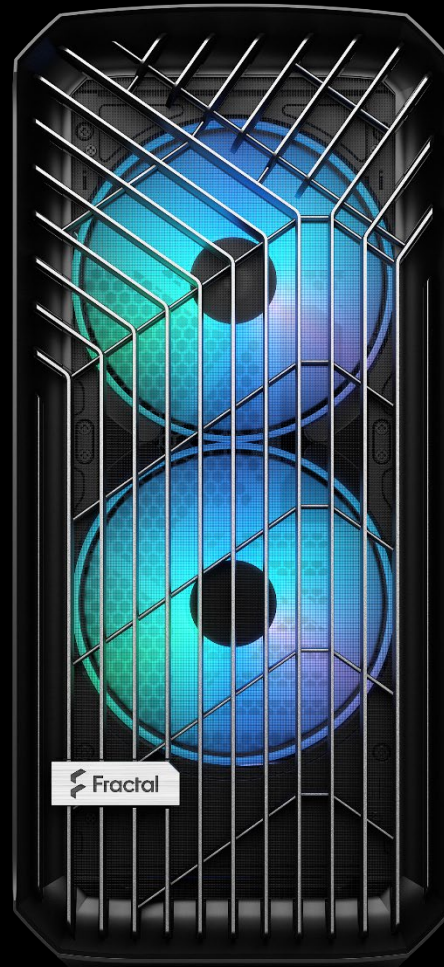


Note: 1) Gamers' estimated behaviour after COVID-19 – significantly higher during COVID-19. Source: DFC Intelligence, Simon-Kucher & Partners, Twitchtracker.

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# Released products

C A S E  
**Torrent**



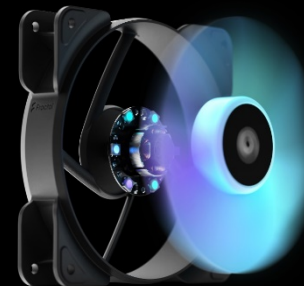
P S U

## Ion+ Platinum 2



P S U

## Ion Gold



F A N

## Aspect Series

AUGUST 18TH 2021

# Torrent Launch Day Reception



“Congratulations fractal, you have won the game.

There is no more game after this, you have reached the endgame, it's not going to get better.

“The Fractal Design Torrent is a chart topper vs. everything else that I've tested in the last couple of years.”

“The Torrent has succeeded: It offers great, striking looks that balance aggression well without sacrificing modern design, and it has more cooling performance than any other case I've tested.”

“The Torrent goes beyond with a new interior as well. It is a big, bulky, modern statement of a chassis that allows for massive air-cooling without compromise.”



**Gamers Nexus**  
1.43M subscribers



**Hardware Canucks**  
1.66M subscribers



**Tom's Hardware**  
15.5M visitors/month



**TechPowerUp**  
7.08M visitors/month

EXPERT REVIEWS

# Torrent Awards

Excellent reception from all over the globe. More than 25 awards from renowned influencers.



*Published within the first hours of release.*

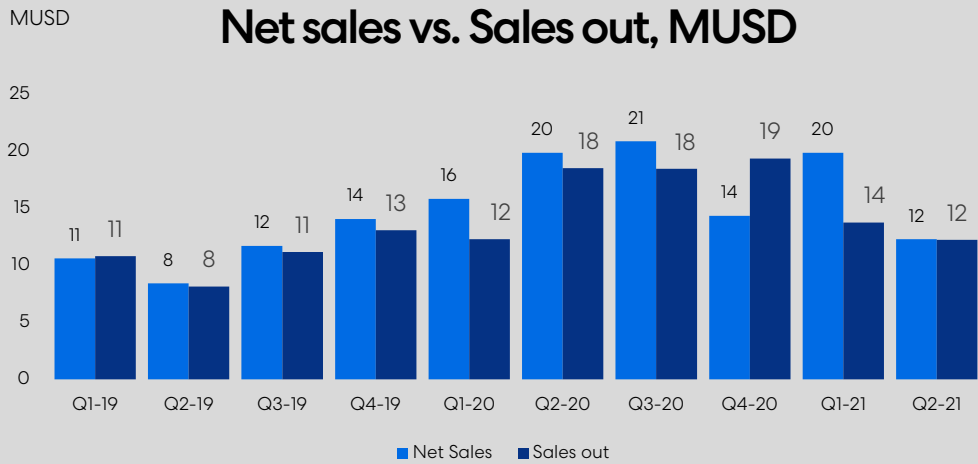
# Net sales and Sales out

Net sales declined by 45% to 104 SEKm (189), with an organic decline of 38%. YTD the decline was 20% and 8% organically.

Tough comparables with 100% net sales growth in Q2 2020.

Net sales impacted by delayed shipments due to local Covid-19 outbreak in Southern China.

Sales out declined by 34% organically impacted by limited supply of semi conductors used in graphic cards.





## Segment development

Sales in EU was 49% of total net sales, followed by Americas with 36% and APAC & Other with 15%.

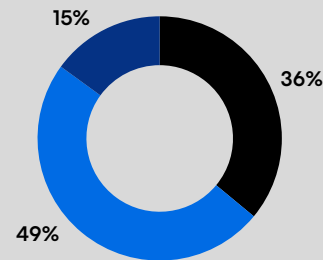
Sales of Cases decreased by 50% with a decrease in Americas of 63%. In EU, the decrease was 37% and in APAC & Other 35%.

Sales of Other products, with power supplies having the largest share of net sales, decreased by 11%. Americas showed a decline of 66% but EU and APAC & Other increased net sales by 52% and 37%.

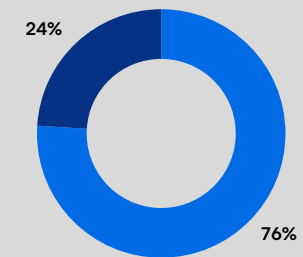
Fractal's market shares remain solid in all markets.

## Net sales by geography and segment (MSEK)

MSEK	Business segment					
	Cases Q2		Other Q2		Total Q2	
	2021	2020	2021	2020	2021	2020
<b>Geographic market</b>						
Americas	32,4	88,0	5,0	14,8	37,4	102,8
EU	35,2	55,6	16,0	10,5	51,2	66,1
APAC & Other	10,9	16,6	4,3	3,1	15,1	19,7
<b>Total, net sales</b>	<b>78,5</b>	<b>160,2</b>	<b>25,2</b>	<b>28,4</b>	<b>103,7</b>	<b>188,7</b>



■ Americas ■ EU ■ APAC & Other



■ Cases ■ Other

## Product margin

Product margin amounted to 33%, which is 6 percentage points lower compared to Q2 2020\*.

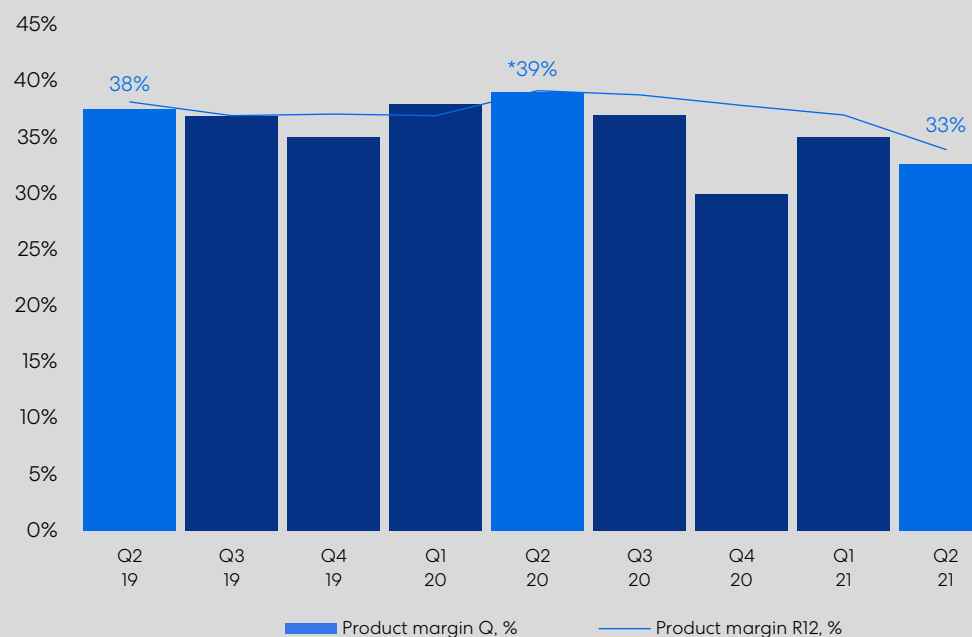
Larger share of sales of products with lower margins, mainly Power supply, decreased product margin by 2%. Product mix is expected to improve in H2 due to launches of new Cases with higher margin.

Reintroduced US tariffs decreased product margin by 2%. Mitigating activities ongoing to limit the impact of the tariffs but delayed due to the Covid -19 situation in Southern China.

Extraordinary high freight costs decreased product margin by 1%. Freight rates is expected to normalize at end of year.

Currency effect impacted the product margin by 1%, due to revaluation of accounts receivables and payables.

### Product-margin (%)



\*Q2 -20 adjusted for repayment of tariffs (10 MSEK)

## Earnings

Adjusted EBITDA was 2 MSEK (57) and the margin was 1,9% (30,3). YTD adjusted EBITDA was 34 MSEK with a margin of 12%.

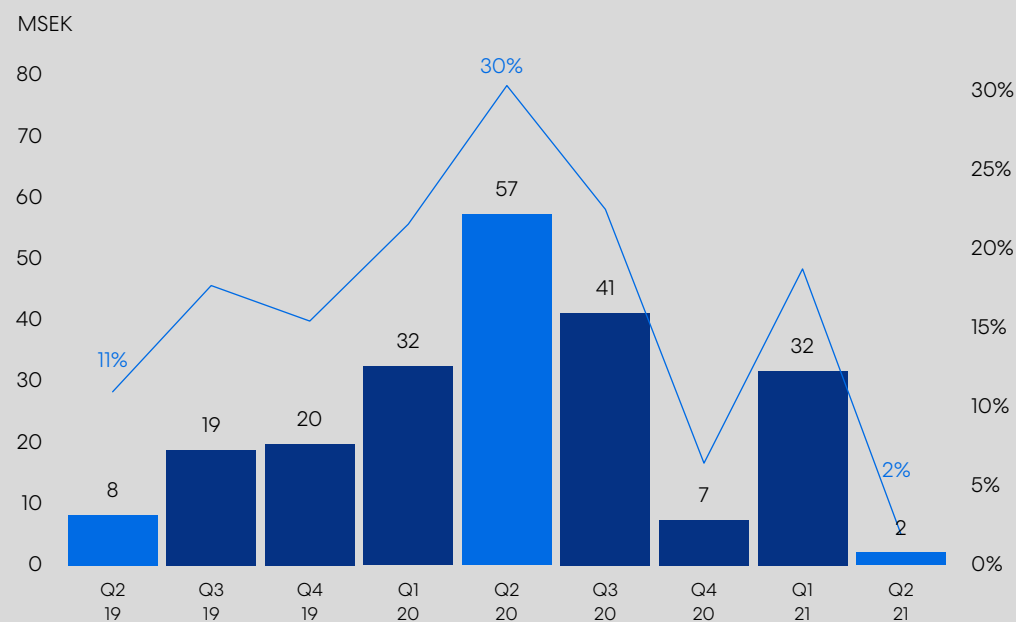
Lower sales volumes and larger share of sales of products with lower margins.

Temporary extraordinary high freight costs expected to normalize at end of year.

Increased raw material prices and imposed tariffs.

Mitigating price increases are being implemented but cannot fully compensate for the increased costs.

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



## Cash flow

MSEK	Q2		Jan-Jun		LTM	Full year
	2021	2020	2021	2020	20/21	2020
EBITDA	2,0	52,3	12,6	84,7	53,6	125,7
Change in NWC	1,8	-14,1	-38,1	-45,8	-54,7	-41,8
Net tangible and intangible capital expenditure	-2,9	-3,7	-11,7	-7,7	-24,7	-21,1
<b>Operating cash flow</b>	<b>0,9</b>	<b>34,5</b>	<b>-37,2</b>	<b>31,1</b>	<b>-25,8</b>	<b>62,8</b>

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

The change in NWC is mainly related to increased inventory (-21 MSEK), decreased account payables (-31 MSEK) and decreased account receivables (54 MSEK).

Cash flow from investing activities amounted to -2,9 MSEK (-3,7) and is related to development of new products.

1. Net sales declined by 38% organically. Tough comparables with +100% growth in Q2 2020. Net sales in Q2 2021 impacted by delayed shipments from China. Net sales is 100% denominated in USD.
2. Product margin affected by higher sales of lower margin products and increased freight and raw material cost. Cost for raw materials is 100% denominated in USD.
3. 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	Q2		Jan-Jun		LTM	Full year
	2021	2020	2021	2020	20/21	2020
1 Net sales	103,7	188,7	272,8	339,1	569,4	635,7
Capital development expenditure	2,0	1,8	5,6	3,4	7,8	5,6
Other revenue	-0,8	0,5	-0,0	3,0	7,6	10,6
<b>Revenue</b>	<b>104,9</b>	<b>191,0</b>	<b>278,4</b>	<b>345,5</b>	<b>584,9</b>	<b>652,0</b>
2 Goods for resale	-69,9	-105,9	-180,2	-199,0	-376,2	-394,9
3 { Other external expenses	-18,1	-18,8	-57,2	-35,0	-100,5	-78,4
Personnel expenses	-15,0	-14,0	-28,4	-26,8	-54,5	-52,9
Depreciation of tangible and amortisation of intangible assets	-3,3	-2,4	-6,3	-4,7	-11,9	-10,3
<b>Total operating expenses</b>	<b>-106,2</b>	<b>-141,1</b>	<b>-272,1</b>	<b>-265,5</b>	<b>-543,0</b>	<b>-536,5</b>
<b>Operating profit</b>	<b>-1,3</b>	<b>49,9</b>	<b>6,3</b>	<b>80,0</b>	<b>41,7</b>	<b>115,4</b>
4 Financial net income/expenses	-0,2	-3,6	-2,3	-4,1	-5,1	-6,8
<b>Profit before tax</b>	<b>-1,4</b>	<b>46,3</b>	<b>4,0</b>	<b>75,9</b>	<b>36,7</b>	<b>108,6</b>
Income tax	0,3	-11,1	-0,9	-17,1	-8,6	-24,7
<b>Net profit for the period</b>	<b>-1,1</b>	<b>35,2</b>	<b>3,1</b>	<b>58,9</b>	<b>28,1</b>	<b>84,0</b>

# Current activities and priorities

## Product launches and marketing

New case series, Torrent, launched this week with very positive feedback. Additional launches planned in H2 2021.

## Cost management

Efforts to mitigate impact on US based tariffs.  
Temporary impact from extraordinary high freight prices.

## Price increases

Price adjustments made for large parts of the range in Q2 and beginning of Q3 to offset increases in raw materials and adverse FX (USD/RMB).

# Strategic direction

**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 and outlook

Net sales impacted by shortage of graphic cards, primarily impacting sales of cases. Delayed shipments from China in June.

EBITDA adj. lower YoY due to lower volumes and lower product margin.

Sales and demand in July and start of August lower than expected, impacted by the accelerated shortages of graphic cards. The shortage is expected impact net sales and earnings negatively throughout H2 2021. The extraordinarily high shipping costs are temporarily impacting product margins.

Full year guidance on growth changed to negative 15 to 20%. As a result, weaker profitability expected.

Current headwinds are expected to be short term and we remain positive regarding our mid- to long-term outlooks. We increase our market shares from Q1 to Q2 and the interest in gaming keeps being on a record high level which indicates a strong underlying pent-up demand once graphics cards becomes available again.



# Q&A

