



19 NOVEMBER 2021

Q3 2021 Report

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Q3 Highlights

Sales declined 54% in SEK and 53% in USD. Tough comparables with +83% USD growth in Q3 2020.

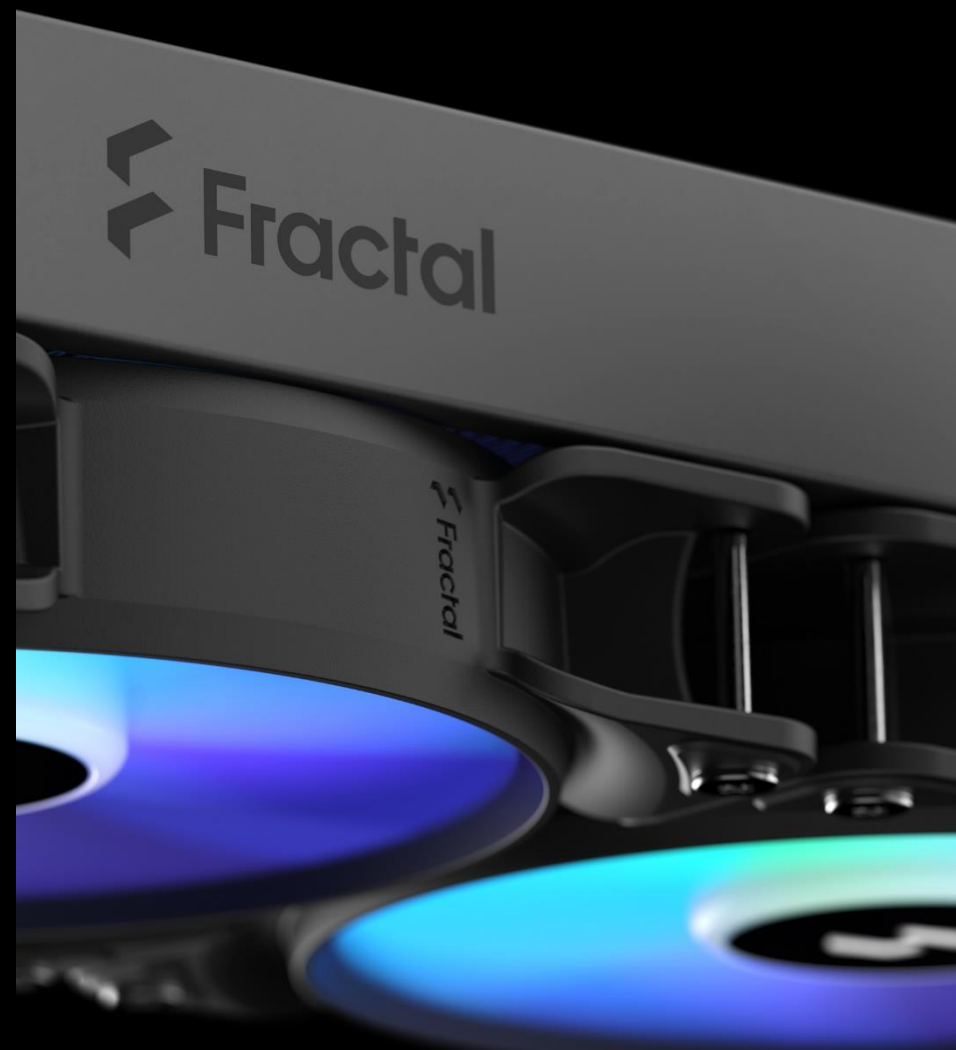
Shortage of graphics cards continued to hamper demand for high-performance PC-gaming cases as gamers wait with their upgrades. Strong pent up demand expected.

Freight costs continue to be on a high level, impacting our product margins. A trend break has been seen in the last month with prices going down.

EBITDA adj. declined YoY due to lower sales volumes and increased costs, primarily freight and US-tariffs.

Successful product launches in quarter with a very strong roadmap ahead.

Record high interest in high performance gaming and e-sport. Hours viewed during Q3 continued to increase by 21% vs. Q3 2020.



Market Development & Demand

The interest in gaming continues to grow massively compared to Q3 2020.

AAA game launches with demanding system requirements have been released in Q3.

The new Intel LGA1700 CPU-series stimulates upgrades and new purchases.



Twitch
Hours watched

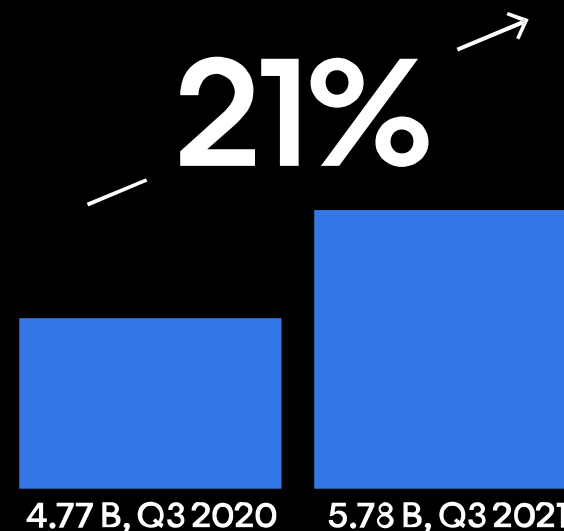
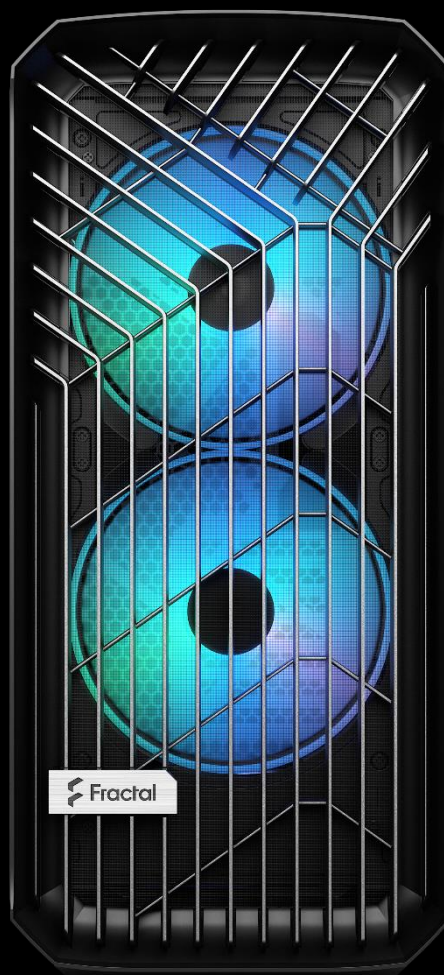


Image: Far Cry 6. Ubisoft Entertainment. All images are copyright to their respective owners and are protected under international copyright laws.

2021

Released products

CASE
Torrent



P S U

Ion+
Platinum 2



P S U

Ion
Gold



F A N

Aspect
Series



W A T E R C O O L I N G

Lumen Series



AUGUST 18TH 2021

Torrent Launch Day Reception



“The best case of 2021 so far”

“Congratulations Fractal, you've won the game.”

“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

Net sales and Sales out

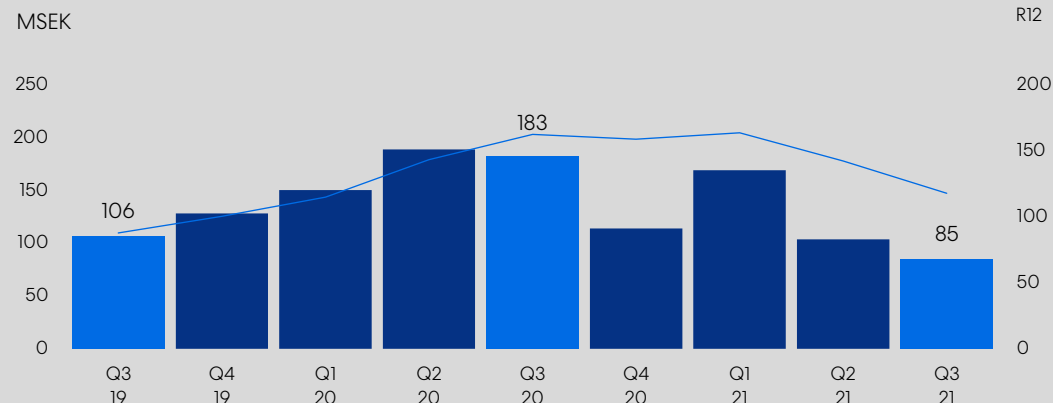
Net sales declined by 54% to 85 SEKm (183), with an organic decline of 53%. YTD the decline was 31% and 25% organically.

Tough comparables with Q3 2020 being our highest selling quarter to date with 83% net sales organic growth.

Net sales impacted by continued supply chain disruptions.

Sales out declined by 45% organically impacted by limited supply of semi conductors used in graphics cards.

Net sales, SEKm



Net sales vs. Sales out, USDm



Segment development

Sales in Americas was 43% of total net sales, followed by EU with 39% and APAC & Other with 18%.

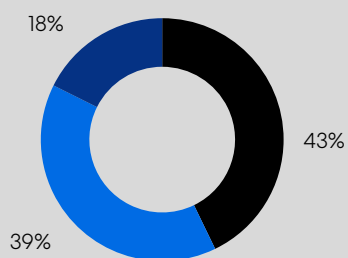
Net sales were hampered in the EU due to the logistics problem in China. This did not affect Americas to the same extent as the company has a regional warehouse in the USA.

Sales of Cases decreased by 56% with a decrease in EU of 63%, in Americas by 54% and in APAC & Other by 40%.

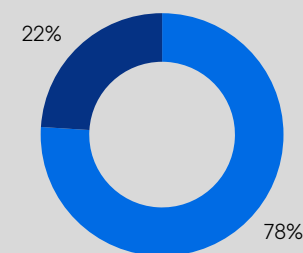
Sales of Other products, with power supplies having the largest share of net sales, decreased by 41%. Americas showed a decline of 67%, EU of 21% and APAC & Other of 16%.

Net sales by geography and segment (SEKm)

SEKm	Business Segment					
	Cases		Other		Total	
	Q3		Q3		Q3	
	2021	2020	2021	2020	2021	2020
Geographic market						
Americas	31	69	5	15	36	83
EU	24	64	10	12	34	76
APAC & Other	11	18	4	5	15	23
Total net sales	66	151	19	32	85	183



■ Americas ■ EU ■ APAC & Other



■ Cases ■ Other

Product margin

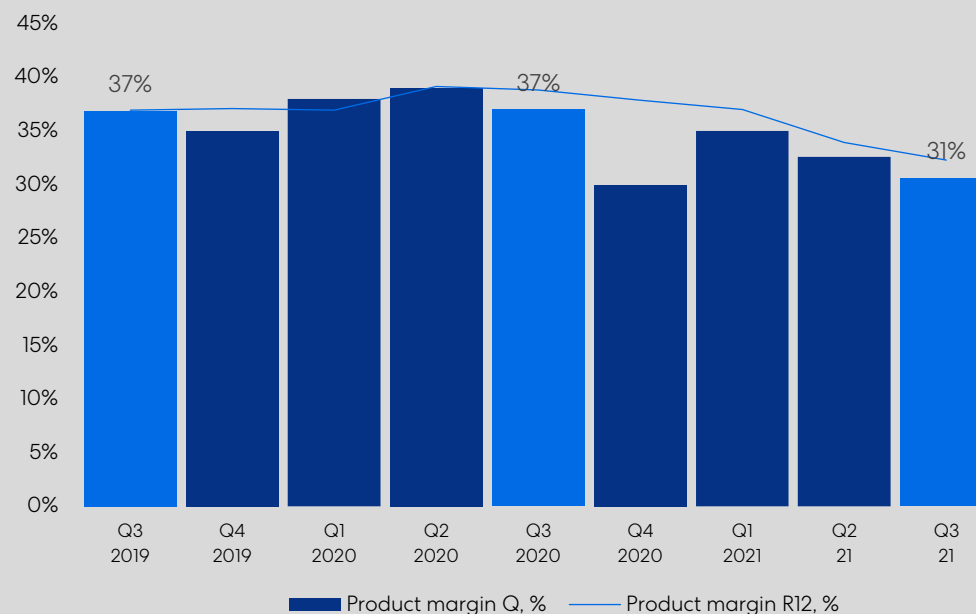
Product margin amounted to 30.6%, which is 6 percentage points lower compared to Q3 2020.

Extraordinary high freight costs decreased product margin by approx. 5 p.p. vs. Q3 2020. Region Americas stands for 43% of total sales in Q3, which also drives up the freight cost.

Reintroduced US tariffs decreased product margin by 1 p.p.

US Trade Representative accepting applications for extensions of exemptions on Tariffs.

Product-margin (%)



Earnings

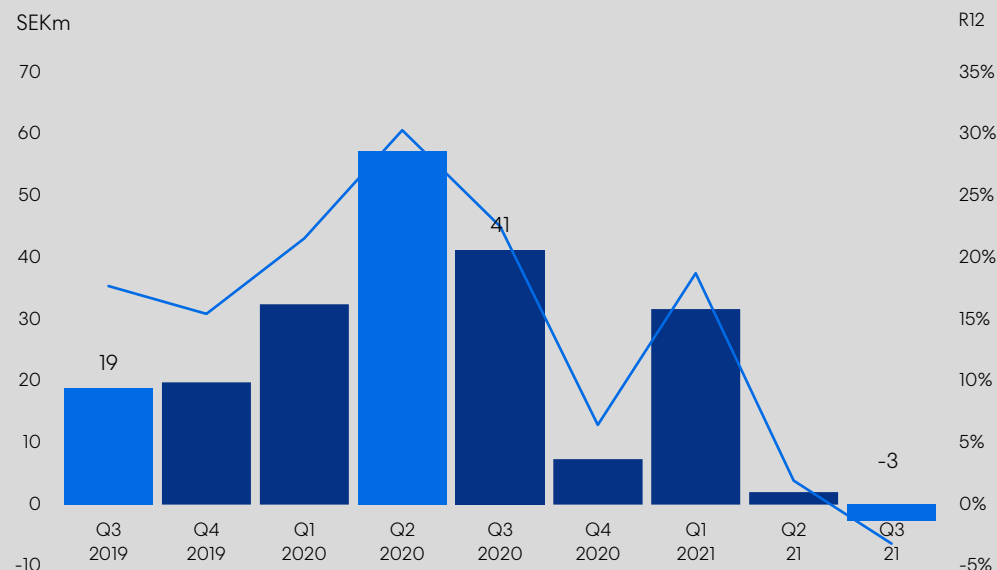
Adjusted EBITDA was -3 SEKm (41) and the margin was -3.2% (22.5). YTD adjusted EBITDA was 10 SEKm with a margin of 2.8% (24.1).

Lower sales volumes and lower margins.

Temporary extraordinary high freight costs. Increased raw material prices and imposed tariffs.

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

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



Cash flow

	Q3		Jan—Sep		Oct-Sep	Full year
SEKm	2021	2020	2021	2020	20/21	2020
EBITDA	-2,7	41,1	9,9	125,9	9,8	125,7
Change in NWC	-0,0	32,7	-38,2	2,7	15,2	-41,8
Net tangible and intangible capital expenditure	-9,5	-6,8	-21,2	-14,6	-24,7	-21,1
Operating cash flow	-12,2	67,0	-49,4	114,0	0,3	62,8

Operating cash flow mainly affected by lower EBITDA.

The change in NWC is related to decreased account receivables (12 SEKm) due to lower sales, slightly increased inventory (-3 SEKm) and decreased account payables (9 SEKm).

Cash flow from investing activities amounted to -9.5 SEKm (-6,8) and is related to development of new products.

1. Net sales declined by 53% organically. Tough comparables with 83% growth in Q3 2020. Net sales impacted by continued supply chain disruptions. Net sales is 100% denominated in USD.
2. Product margin mainly affected by extraordinary high freight and US tariff cost. Cost for raw materials is 100% denominated in USD.
3. Other external expenses and personnel costs are denominated in SEK to ~46%, USD to ~42% and other currencies ~12%. Other external expenses are mainly affected by higher warehouse cost and costs related to more employees. Personnel expenses is as expected.
4. Financial net mainly related to interest expenses and FX translation effect.

Income statement

	Q3		Jan—Sep		Oct-Sep	Full year
SEKm	2021	2020	2021	2020	20/21	2020
1 Net sales	85	183	358	522	472	636
Capitalized development expenditure	2	1	7	5	8	6
Other operating income	0	0	0	3	8	11
Total revenue	87	184	365	530	487	652
Operating expenses						
2 Goods for resale	-59	-116	-239	-315	-319	-395
Other external expenses	-17	-14	-74	-50	-103	-78
3 Personnel expenses	-13	-11	-42	-38	-56	-53
Depreciation and impairment of tangible and intangible non-current assets	-3	-3	-10	-7	-13	-10
Total operating expenses	-93	-146	-365	-411	-490	-537
Operating profit	-6	39	0	119	-3	115
4 Financial net income/expenses	-1	-2	-3	-6	-4	-7
Profit/loss before tax	-7	36	-3	112	-7	109
Income tax expense	-0	-8	-1	-25	-1	-25
Deferred tax liabilities	2	-0	2	-0		0
Profit for the period	-6	28	-2	87	-6	84

Current activities and priorities

Product launches and marketing – New case series, Torrent, and new water cooling series, Lumen, launched in Q3 with very positive reviews. Strong roadmap ahead with many additional launches planned in coming quarters. Development process for new categories is well under way.

Cost management – Temporary impact from extraordinary high freight prices. A downward trend in freight costs have been spotted in last few weeks.

US Trade Representative are now accepting applications for extensions of exemptions on Tariffs. Efforts to mitigate impact on US based tariffs, moving production out of China.

Price increases – Price adjustments made for large parts of the range in Q2 and 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. Continued Supply Chain disruptions but trend break in freight costs.

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

Full year guidance on growth is 20% lower net sales vs 2020. 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 maintain our market shares in key markets 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. We have a very strong roadmap ahead with a busy launch schedule in the upcoming quarters.



Q&A

