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Q4 2021 Report

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Q4 Highlights

Net sales increased to 121 SEKm (114), an increase by 6% in SEK and 2% organically YoY.

Shortage of graphics cards continues to hamper demand for High-performance PC-gaming Cases.

Holding or increasing our market shares in key markets.

Improved product margin by 3.0 p.p. despite headwinds of high freight prices and reintroduced tariffs. Improvement driven by price increases as well as favorable product mix with higher share of sales of Cases and with good contribution from the new Torrent series.

EBITDA adj. was 3 SEKm (8), declined YoY primarily because of increased operational expenses and currency adjustments.

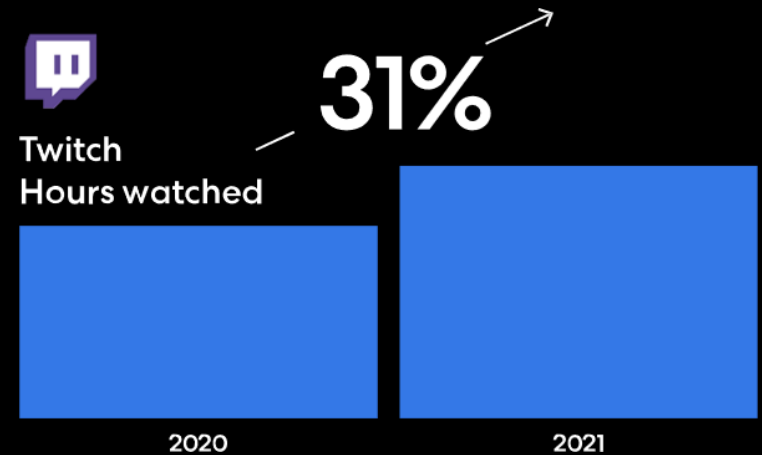
Record high interest in high performance gaming and e-sport. Number of hours viewed on Twitch continued to increase during Q4 with a total increase of 31% for the full year 2021.



Market Development & Demand

Continued influx of new gamers towards Twitch & Steam YoY – with over 1.4 billion active PC-gamers worldwide (2021).

New GPUs and CPUs presented at the CES-fair from Intel, Nvidia & AMD. Comeback for Intel in the discrete GPU market.



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Released products

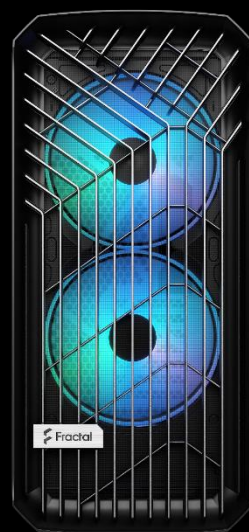
W A T E R C O O L I N G

Lumen Series



R G B C O N T R O L L E R

Adjust 2



C A S E

Torrent

P S U

Ion+ 2 Platinum



P S U

Ion Gold



P S U

Anode SFX



F A N

Aspect Series



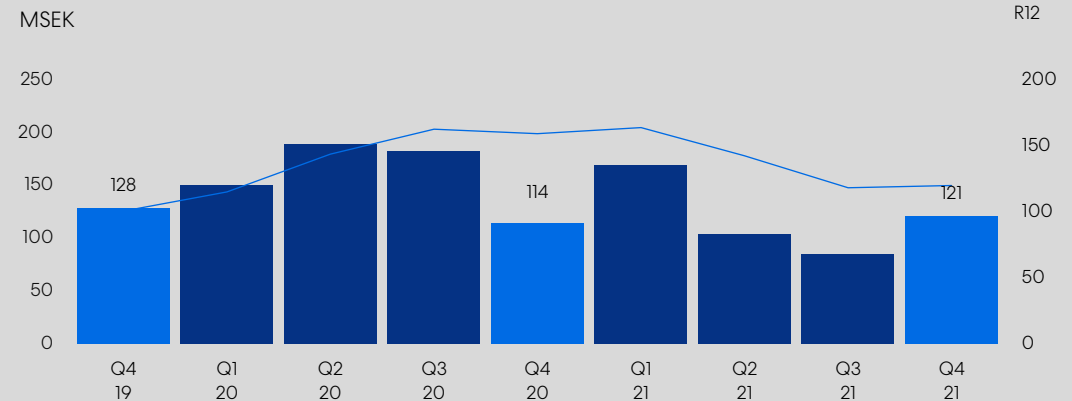
Net sales and Sales out

Net sales in Q4 increased by 6% to 121 SEKm (114), with an organic increase of 2%.

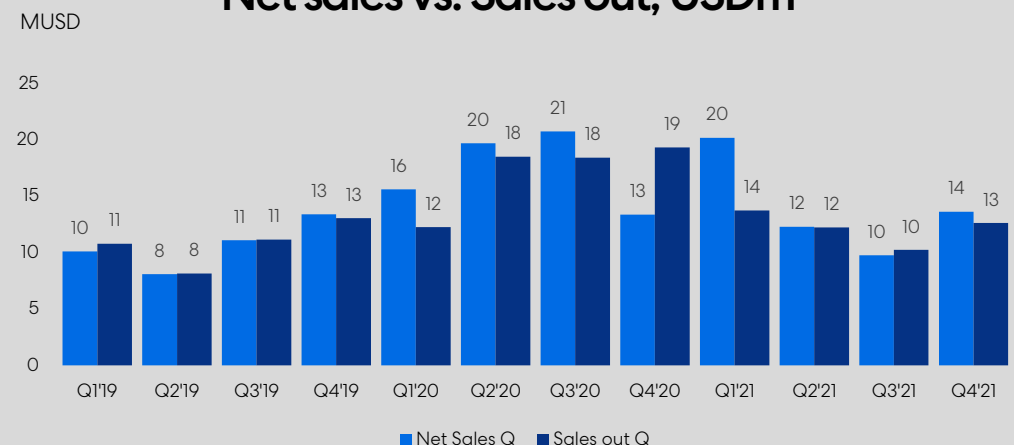
For the full year, net sales decreased by 25% and by 19% organically. Tough comparables for the full year with 62% organic growth in 2020.

Sales out declined by 35% organically in Q4 impacted by shortages and high prices of graphics cards. Tough comparables with record high growth of 48% in Q4 2020.

Net sales, SEKm



Net sales vs. Sales out, USDm



Segment development

Sales in EU was 49% of total net sales, followed by Americas with 30% and APAC & Other with 21%.

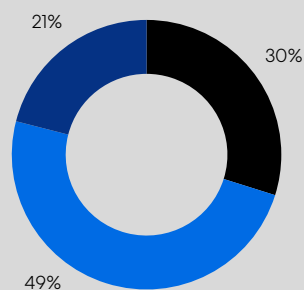
In EU sales of Cases increased by 26% and APAC & Other by 54%. Americas decreased by 11%.

Sales of Other products, decreased by 25%. Americas showed a decline of 57%, EU of 23% and EU of 23%. APAC & Other increased by 25%.

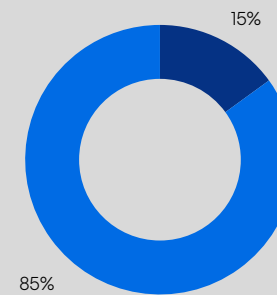
Fractal's market shares remain solid in key markets.

Net sales by geography and segment (MSEK)

SEKm	Business Segment					
	Cases		Other		Total	
	Q4		Q4		Q4	
	2021	2020	2021	2020	2021	2020
Geographic market						
Americas	33	37	3	7	36	44
EU	49	39	10	13	59	52
APAC & Other	20	13	5	4	25	17
Total net sales	103	90	18	24	121	114



■ Americas ■ EU ■ APAC & Other



■ Cases ■ Other

Product margin

Product margin increased to 32.7%, which is 3 percentage points higher compared to Q4 2020.

The effect of less discounts impacted the margin positively by approx. 3 p.p in the quarter.

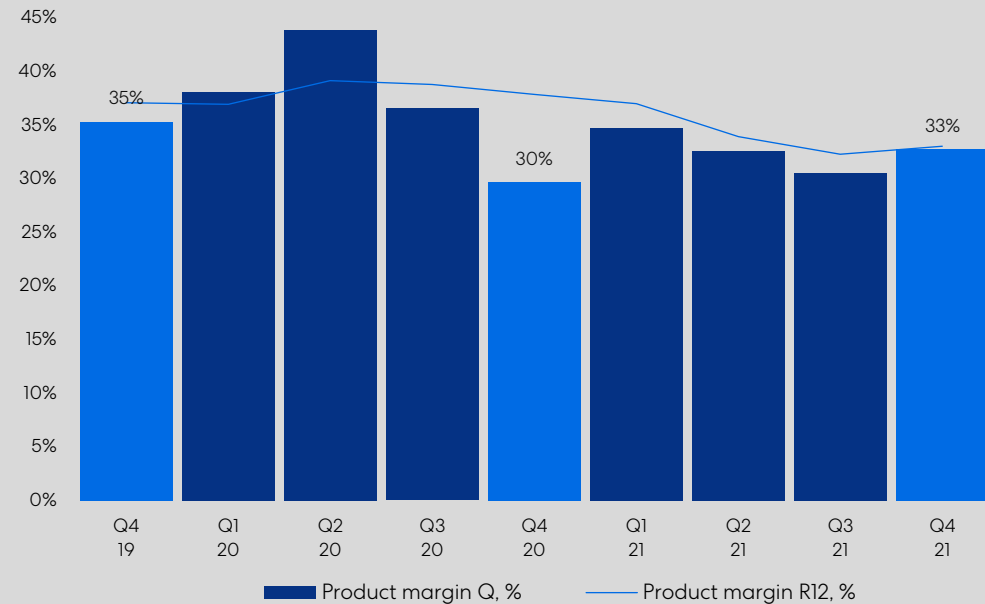
Product mix, including new Torrent series, also had positive impact on margin.

Extraordinary high freight costs decreased product margin by approx. 2 p.p.

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

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

Product-margin (%)



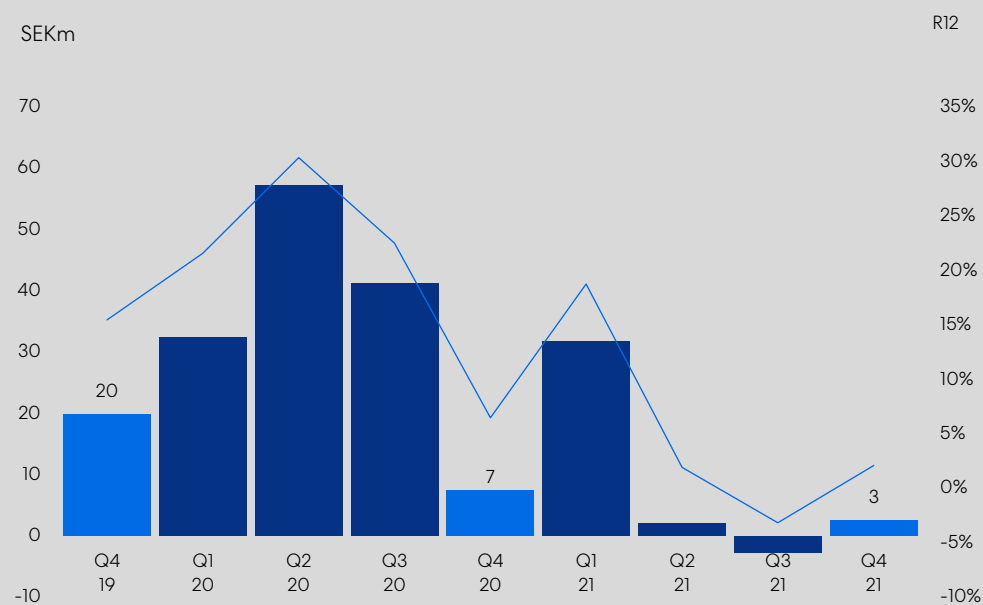
Earnings

Adjusted EBITDA was 3 SEKm (8) and the margin was 2.1% (6.8). YTD adjusted EBITDA was 34 SEKm with a margin of 7,0% (21,8).

Higher product margin in the quarter.

The decrease vs 2020 is due to currency effect and increased operational expenses.

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



Cash flow

SEKm	Q4		jan—dec	
	2021	2020	2021	2020
EBITDA	2,5	-0,1	12,4	125,7
Change in NWC	-9,3	-49,3	-47,5	-41,8
Net tangible and intangible captial expenditure	-4,8	-6,2	-25,7	-21,1
Operating cash flow	-11,6	-55,6	-60,7	62,8

Q4 Operating cash flow mainly affected by lower EBITDA.

Q4 change in NWC is mainly related to increased operating receivables (-31 SEKm), increased operating liabilities (25 SEKm) and increased inventory (-3 SEKm).

Q4 cash flow from investing activities amounted to -4,8 SEKm and is related to development of new products.

For the full year Operating cash flow mainly affected by lower EBITDA. Change in NWC mainly related to lower operating liabilities (45 SEKm) and cash flow from investing activities amounted to -25,7 SEKm.

1. Net sales increased by 2% organically. Net sales is 100% denominated in USD.
2. Product margin positively impacted by product mix with higher share of cases, less discounts, price increases earlier in the year and negatively by increased freight and raw material prices. 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

SEKm	Q4		jan—dec	
	2021	2020	2021	2020
① Net sales	121	114	479	636
Capitalized development expenditure	2	1	9	6
Other operating income	0	9	0	11
Total revenue	122	124	488	652
Operating expenses				
② Goods for resale	-81	-80	-320	-395
③ { Other external expenses Personnel expenses	-22	-29	-97	-78
	-16	-15	-58	-53
Depreciation and impairment of tangible and intangible non-current assets	-4	-3	-14	-10
Total operating expenses	-124	-127	-489	-537
Operating profit	-2	-3	-1	115
④ Financial net income/expenses	-2	-1	-5	-7
Profit/loss before tax	-3	-4	-6	109
Income tax expense	-1	0	-2	-25
Deferred tax liabilities	2	-0	4	-0
Profit for the period	-2	-3	-4	84

Current activities and priorities

Product launches and marketing – New case series, Torrent, launched in Q3 2021 has received very positive reviews. Sales of Torrent in Q4 exceeded our forecasts and contributed to higher product margin. Expansion of the Torrent series planned for Q1 2022.

Cost management – Temporary impact from extraordinary high freight prices. US Trade Representative 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 has been made for large parts of the range during 2021 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 during the quarter and the full year impacted by shortage of graphic cards, primarily impacting sales of cases.

EBITDA adj. lower during the quarter and full year mainly due to lower net sales and impacted gross margins.

Despite continued uncertainty regarding demand and supply chain, we expect to show growth again in 2022. We anticipate continued low demand during the first half of the year, but with a stronger development during the second half of the year as access to graphics cards improves and prices normalise.

Our view of the market and our financial goals in the medium and long term are intact with net sales growth of at least 10% and an adjusted EBITDA margin of 20%. The underlying demand for high-performance gaming products remains strong.



Q&A

