



18 AUGUST 2022

Q2 2022 Report

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Q2 Highlights

Sales declined by 8% in SEK YoY to 95,4 SEKm (103,7) and declined by 21% in USD.

EBITDA decreased to -3 SEKm (2 SEKm).

Continued high prices on graphics cards hampered demand for High-performance PC-gaming cases. Prices have normalized lately and paired with new graphics card series launches from Nvidia and AMD during H2 2022, consumer demand is expected to improve. Pent up demand to upgrade.

Gradual improvements and return to growth expected during H2 2022. Strong product roadmap ahead, supporting growth prospects.

Product margin impacted by extraordinarily high shipping costs. Underlying margin development remains positive in the quarter.

Freight prices dropping significantly during Q2.



Market Development & Demand

The number of active gamers worldwide are expected to increase by 10% year on year in 2022.

E-sports events are back in full swing and expanding.

Several larger hardware releases are expected in Q3 and Q4 which will drive needs to upgrade in our customer base.

Twitch viewership hours are still at historically high numbers, twice the numbers of pre-pandemic levels of 2019.



LOST ARK

RECORD

1,324,761

active players simultaneously

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Q 2

Released products



CASE

Pop Air

Openly expressive



CASE

Pop Silent

Simply Sleek

Q 2

Released products



Net sales and Sales out

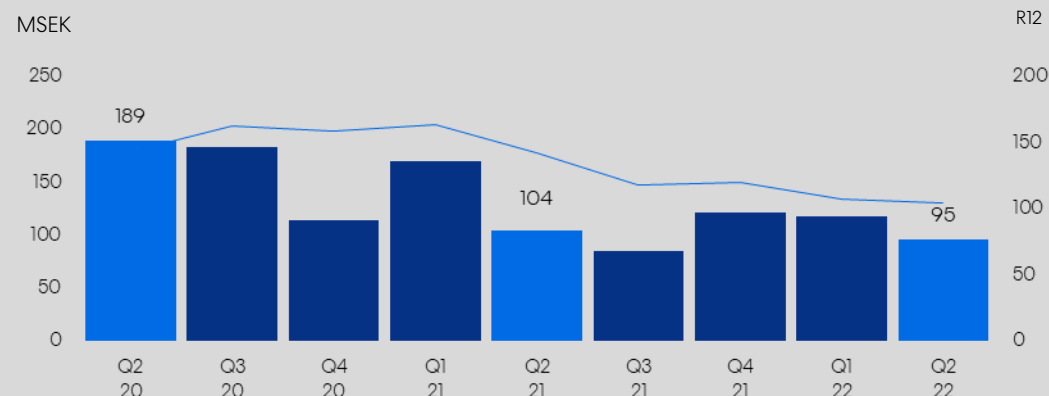
Net sales -8% to 95 SEKm (104), with an organic decline in USD of 21%. YTD sales declined by 22% and 31% organically.

The downturn in the market affects the entire industry. High stock levels at the sales channels and many distributors have been restrictive with purchases during the quarter.

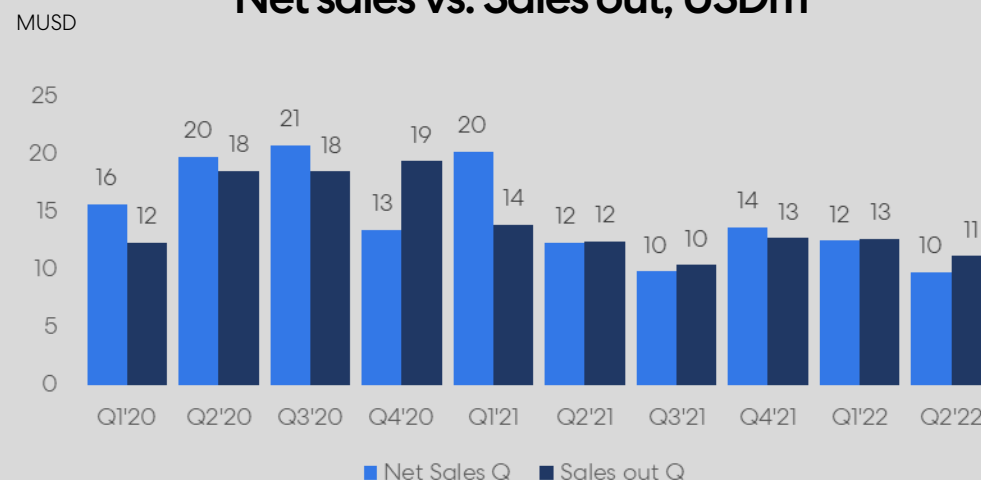
The availability and prices of graphics cards have improved but prices remained high. Gradual improvements expected during H2 2022.

Sales out declined by 11% organically.

Net sales, SEKm



Net sales vs. Sales out, USDm



Segment development

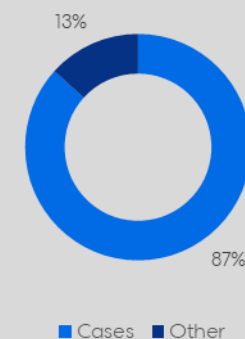
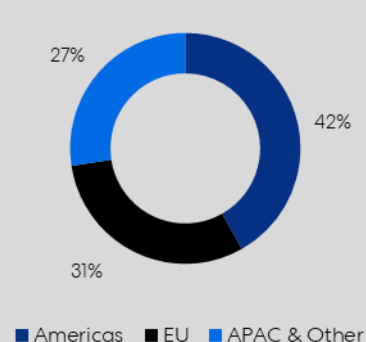
Sales in Americas was 42% of total net sales, followed by EU with 31% and APAC & Other with 27%.

Sales of Cases increased by 5% in total with an increase in Americas of 18% and an increase of 87% in APAC & Other. In EU, sales of cases decreased by 32%, mainly as a result of the market situation and lower consumer confidence.

Sales of Other products decreased by 50%. Americas showed a decline of 70% and EU by 67%. APAC & Other increased by 37%.

Net sales by geography and segment (MSEK)

| SEKm | Business Segment | | | | | |
|--------------------------|------------------|-----------|-----------|-----------|-----------|------------|
| | Cases | | Other | | Total | |
| | Q2 2022 | 2021 | Q2 2022 | 2021 | Q2 2022 | 2021 |
| Geographic market | | | | | | |
| Americas | 38 | 32 | 1 | 5 | 40 | 37 |
| EU | 24 | 35 | 5 | 16 | 29 | 51 |
| APAC & Other | 20 | 11 | 6 | 4 | 26 | 15 |
| Total net sales | 83 | 78 | 13 | 25 | 95 | 104 |



Product margin

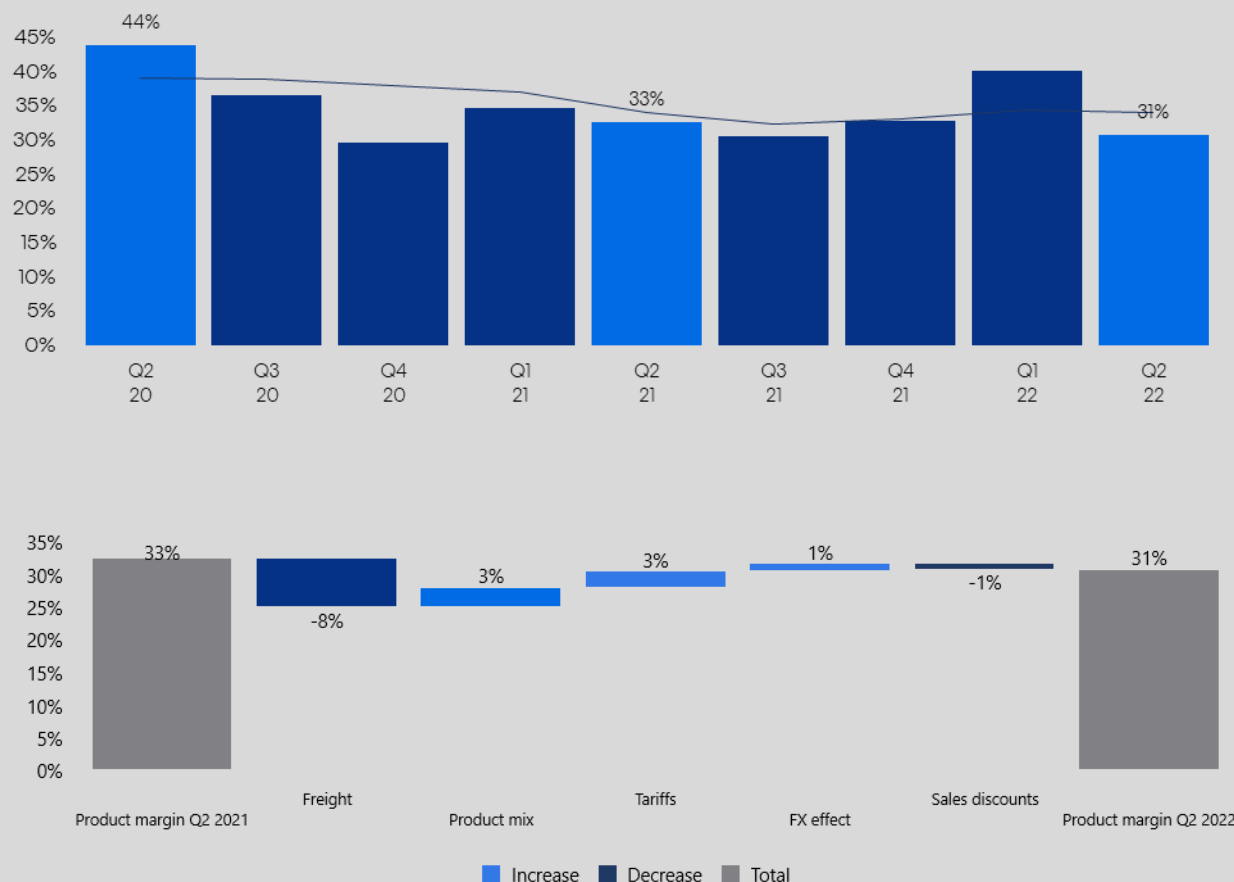
Product margin in Q2 decreased to 31% (33).

YTD, product margin increased to 36% (34).

Quartely changes

- Extraordinary high freight costs decreased product margin by approx. 8 percentage points.
- Favorable product mix, with higher share of cases and higher share of high margin cases, increased margin by approx. 3 percentage points.
- US tariff exemption increased product margin by approx. 3 percentage points.
- Positive currency effects increased product margin by approx. 1 percentage point.
- Sales discounts affected the product margin negatively by approx. 1 percentage point, which was due to high inventory levels in the sales channels.

Product-margin (%)



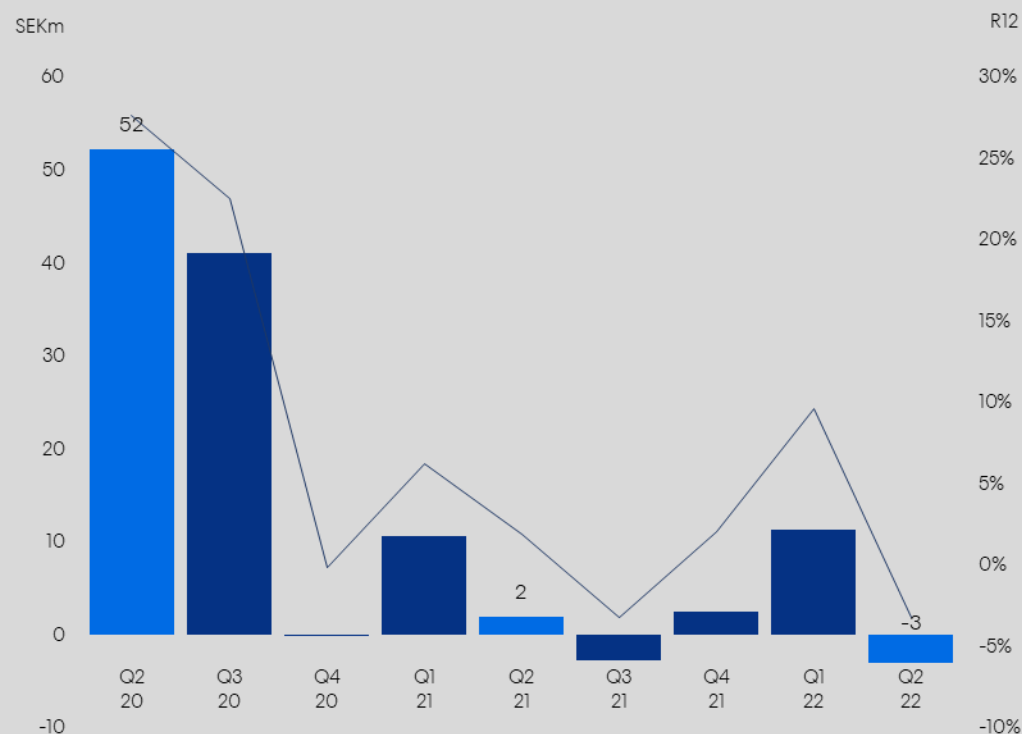
Earnings

EBITDA was -3 SEKm (2) and the margin was -3.0% (1.9).

YTD EBITDA was 8 SEKm (13) and the margin was 3.9% (4.6). Items affecting comparability of 21.1 SEKm booked in Q1 2021 related to the IPO.

The decrease in EBITDA is mainly due to lower sales volumes and lower product margin, but also higher warehouse cost due to high inventory.

EBITDA (SEKm) and EBITDA-margin (%)



Cash flow

| SEKm | Q2 | | Jan—Jun | | Jul-Jun | Full year |
|---|------|------|---------|-------|---------|-----------|
| | 2022 | 2021 | 2022 | 2021 | 21/22 | 2021 |
| EBITDA | -3,0 | 2,0 | 8,3 | 12,6 | 8,1 | 12,4 |
| Change in NWC | 5,1 | 1,8 | 10,5 | -38,1 | 1,2 | -47,5 |
| Net tangible and intangible expenditure | -9,9 | -2,9 | -19,6 | -11,7 | -33,6 | -25,7 |
| Operating cash flow | -7,8 | 0,9 | -0,8 | -37,2 | -24,3 | -60,8 |

Operating cash flow was negatively impacted by lower EBITDA.

The change in NWC was mainly related to increased inventory (-28 SEKm), decreased account receivables (26 SEKm) and Other receivables and accruals (7 SEKm).

Cash flow from investing activities amounted to -10 SEKm (3) and was related to development of new products.

The overdraft facility amounted to 132 SEKm (100) and was mainly related to purchase of products in stock. When selling out from stock, we get a positive net effect on cash flow because most of the products were purchased in 2021.

1. Net sales declined by 8%. Net sales in Q2 2022 was impacted by a soft market, continued high prices on graphic cards as well as lower consumer confidence impacted by Russias invasion of Ukraine.
2. Underlying product margin favorable due to higher share of high margin cases, tariff exemption and FX. However, continued high freight cost to the US impacting margin in Q2.
3. Other external costs are higher than last year, mainly due to higher warehouse cost. Personnel cost are higher due to investment in new employees.
4. Financial net mainly related to interest expenses and FX translation effect.

Income statement

| | | Q2 | | Jan—Jun | | Jul-Jun | Full year |
|------|---|---------------|---------------|---------------|---------------|---------------|---------------|
| SEKm | | 2022 | 2021 | 2022 | 2021 | 21/22 | 2021 |
| 1 | Net sales | 95,4 | 103,7 | 212,9 | 272,8 | 418,7 | 478,6 |
| | Capitalized development expenditure | 3,6 | 2,0 | 5,4 | 5,6 | 8,7 | 8,9 |
| | Other operating income | 0,9 | -0,8 | 1,1 | -0,0 | 1,2 | 0,1 |
| | Total revenue | 99,8 | 104,9 | 219,4 | 278,4 | 428,5 | 487,6 |
| | Operating expenses | | | | | | |
| 2 | Goods for resale | -66,1 | -69,9 | -136,3 | -180,2 | -276,5 | -320,4 |
| 3 | Other external expenses | -20,5 | -18,1 | -41,8 | -57,2 | -81,4 | -96,8 |
| | Personnel expenses | -16,3 | -15,0 | -32,9 | -28,4 | -62,4 | -57,9 |
| | Depreciation and impairment of tangible and intangible non-current assets | -4,5 | -3,3 | -8,5 | -6,3 | -16,1 | -13,8 |
| | Other operating expenses | - | - | - | - | - | - |
| | Total operating expenses | -107,3 | -106,2 | -219,6 | -272,1 | -436,4 | -489,0 |
| | Operating profit | -7,5 | -1,3 | -0,2 | 6,3 | -7,9 | -1,4 |
| | Finance income | 3,7 | - | 4,5 | - | 4,5 | - |
| 4 | Finance costs | -1,4 | -0,2 | -2,6 | -2,3 | -5,0 | -4,7 |
| | Profit/loss after financial items | -5,2 | -1,4 | 1,7 | 4,0 | -8,4 | -6,1 |
| | Income tax expense | 0,4 | 0,3 | -1,0 | -0,9 | -2,4 | -2,3 |
| | Deferred tax liabilities | 0,7 | - | 0,7 | - | 4,7 | 4,0 |
| | Profit for the period | -4,1 | -1,1 | 1,3 | 3,1 | -6,1 | -4,4 |

Summary and outlook

Net sales still impacted by continued high prices on Graphic cards and resulting lower consumer demand.

Stronger development and return to growth expected in H2 2022 driven by normalized pricing of graphic cards and also supported by launches of new generations of graphic cards from Nvidia and AMD.

Positive product launches in the quarter and many more launches expected in H2-2022 and 2023.

Improving underlying product margin development including positive effects from tariff exclusion. With freight prices starting to normalize, we see opportunities for stronger product margins ahead.

We remain positive regarding our mid- to long-term outlooks. 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

