

11 MAY 2023

# Q1 2023 Report

## QUARTERLY REPORT

# Q1 Highlights

**Sales increased by 66%** in SEK YoY to 196 SEKm (118) and increased by 49% in USD.

Sales out revenue increased by 32% YoY. Difference between sales-in and sales-out increases is explained by channel stock filling dynamics.

The recovery in the market, which started in the second half of 2022, has further strengthened during the quarter.

Very positive market reception of our new chassi series' launched in 2022; Torrent, Pop and North and we are gaining market shares in key markets.

EBITDA increased to 42 SEKm (11 SEKm), with an EBITDA margin of 21,3%.

Product margin slightly higher YoY, 40,4% compared to 40,2% last year, with a positive impact from lower shipping prices which was partially offset by a less favorable product mix.





# Market Development & Demand

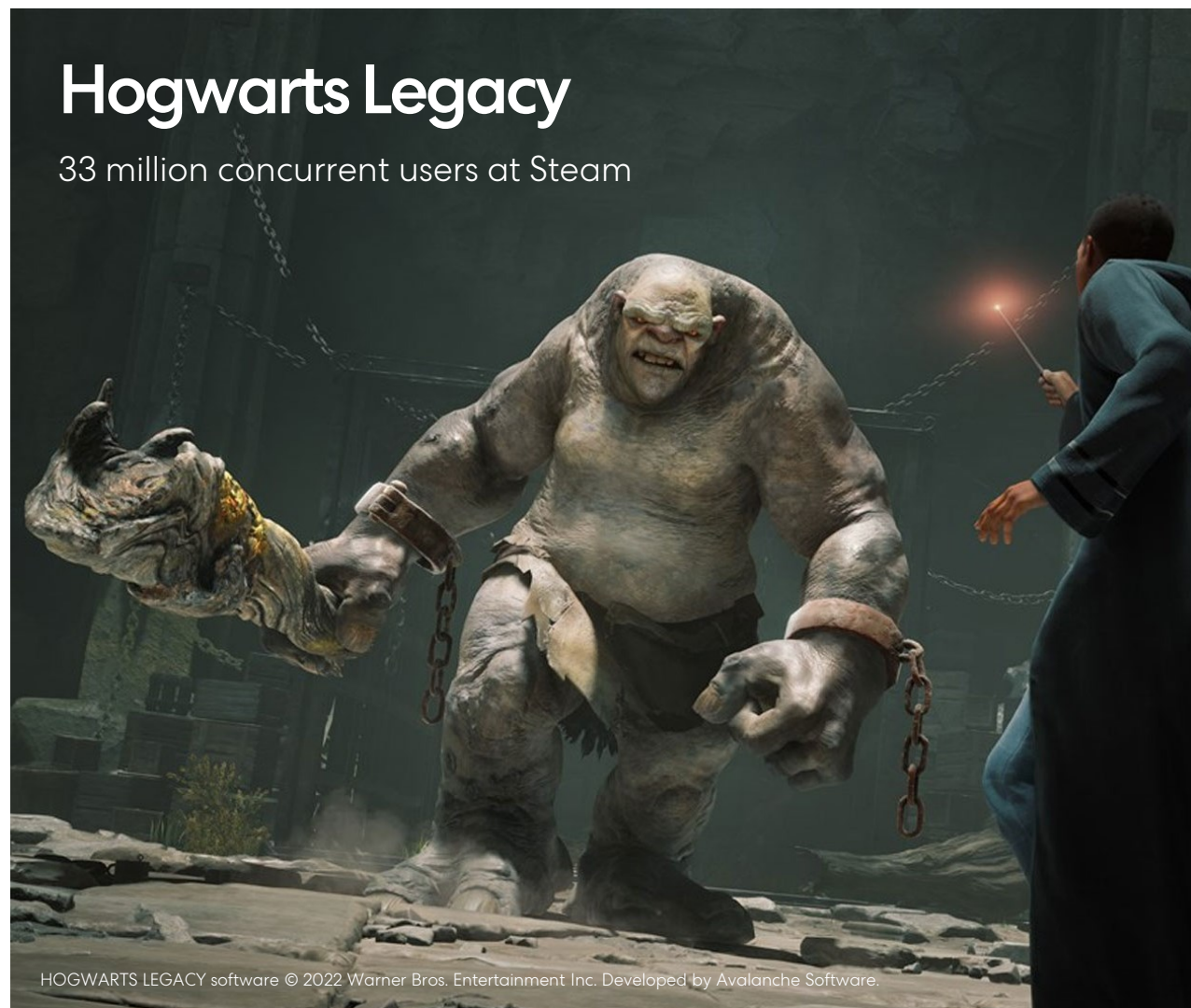
**Another milestone has been reached within gaming**, with 33 million concurrent users at Steam and a new high for viewers on Twitch of the recently released Hogwarts Game.

It is predicted that the popularity of cross-platform games will continue to rise, where PCs remain the platform of choice for the majority of developers.

A busy year for major game releases, paired with lower prices and additional options within GPU category, may fuel increased demand.

The gaming industry has proven to be relatively recession resilient in the past and we believe it's likely that gaming will continue to be strong in coming years, despite macro-economical headwinds.

Sources: NewZoo, SteamDB & Twitchtracker



# Fractal wins Red Dot Product Design Award 2023

**Our latest case Fractal North has been awarded the prestigious Red Dot Design Product Award 2023**

The Red Dot Design Award is one of the world's largest design competitions and has become established internationally as one of the most sought-after marks of quality for good design

We are delighted to be honored with this distinguished award, which recognizes our commitment to pioneering and breaking new grounds in PC gaming hardware design.

Our focus has always been on creating products that combine exceptional functionality with remarkable design, and this recognition from the Red Dot Design Award is a testament to Fractal North's success.



# Net sales and Sales out

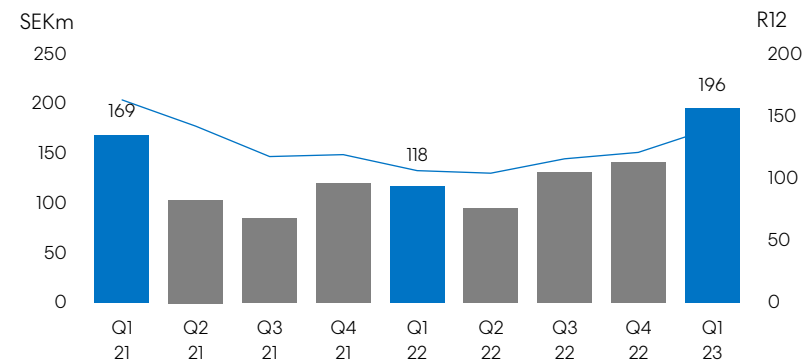
**Net sales increased by 66%** to 196 SEKm (118) and organically by 49% in USD.

There is a pent-up demand to upgrade and a strong demand for Fractal's products and the growth was positively affected by the successful launches in 2022, with award winning case series as Torrent, Pop and North.

Increased demand from end customers has led to our retailers replenishing their stocks to be able to meet the increased sales growth. Good access to graphics cards with lower prices.

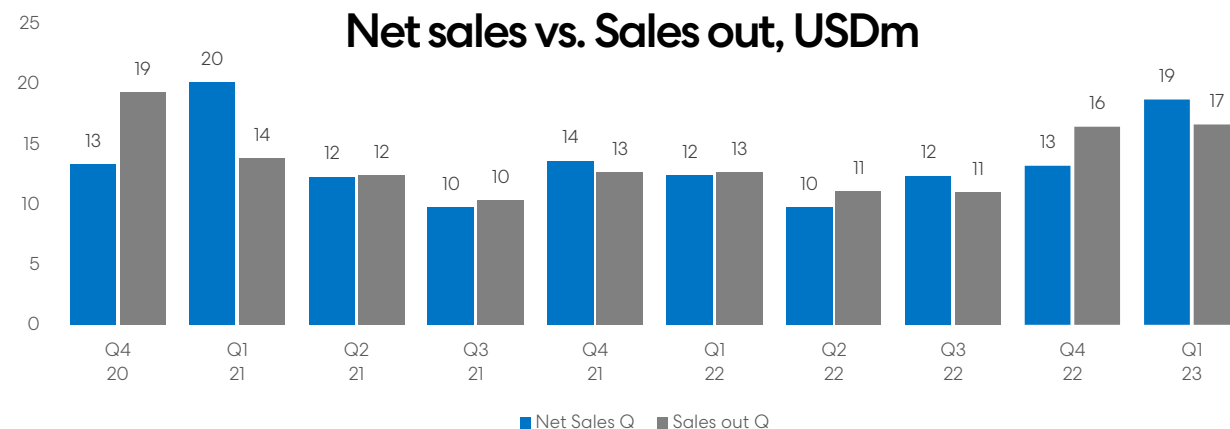
Sales out increased by 32% organically.

## Net sales, SEKm



USDm

## Net sales vs. Sales out, USDm



# Segment development

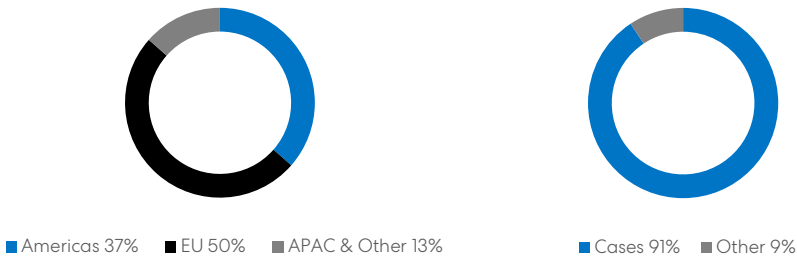
The strongest region in the quarter was EU with net sales of 98 SEKm (49), corresponding to 50% of total net sales. The increase was mainly driven by increased demand from end customers, successful launches and low inventory levels at retailers.

Net sales in Americas amounted to 71 SEKm (54), corresponding to 37% of total net sales and APAC & Other to 26 SEKm (15), 13% of total net sales.

Sales of Cases was 91% (85) of total net sales, which is an increase vs. last year.

## Net sales by geography and segment (SEKm)

SEKm	Business Segment					
	Cases		Other		Total	
	Q1		Q1		Q1	
	2023	2022	2023	2022	2023	2022
Geographic market						
Americas	69	50	2	4	71	54
EU	89	42	9	6	98	49
APAC & Other	20	12	7	3	26	15
Total net sales	177	105	18	13	196	118

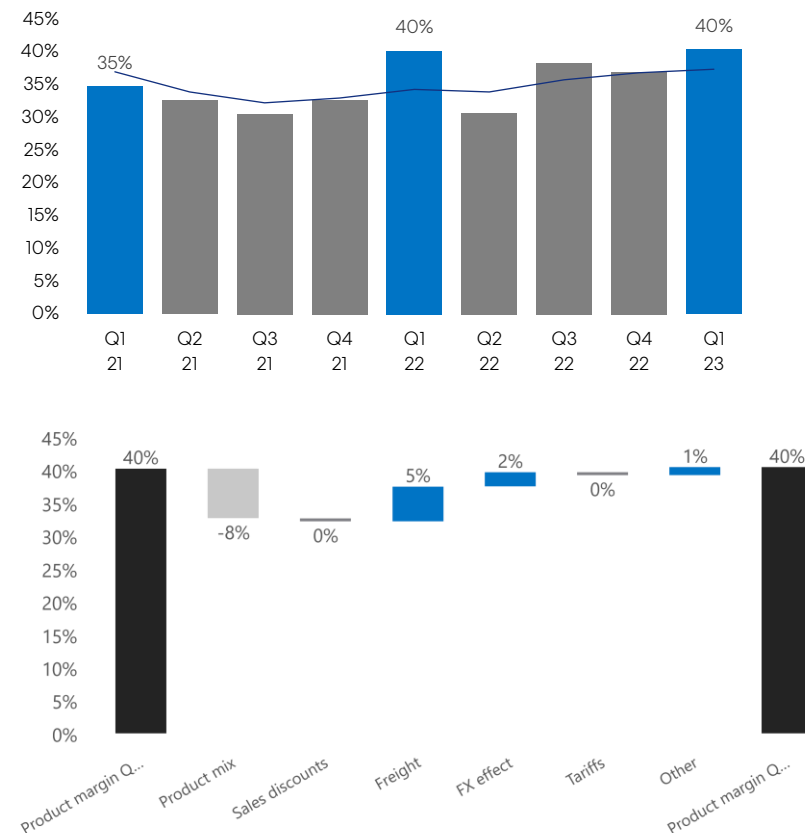


# Product margin

The **product margin increased** by 0,2 percentage points to 40,4% (40,2) in Q1. Factors affecting the margin were:

- **Lower shipping costs** positively affected the product margin by approximately 5.3 percentage points as shipping prices were lower than before the pandemic. The comparative numbers in the first quarter of 2022 were historically high as freight prices peaked in the fourth quarter of 2021 and the first quarter of 2022.
- **The currency effect** had a positive effect on the product margin by approximately 2.2 percentage points attributable to inventory that was purchased at a lower rate and sold out at a higher rate.
- **The product mix** affected the product margin negatively by approximately 7.5 percentage points and was mainly attributable to lower gross margins within the product groups.

Product margin (%)

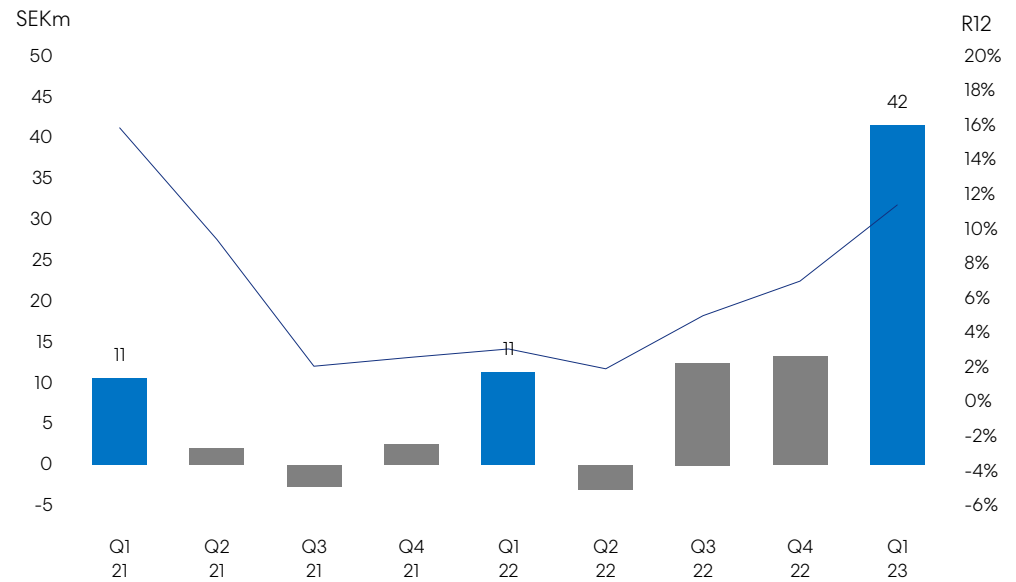


# Earnings

**EBITDA was 42 SEKm** (11) and the EBITDA- margin was 21% (10).

The increase in EBITDA was mainly due to higher sales and product result, and lower warehouse cost due to decreased stock.

## EBITDA (SEKm) and EBITDA-margin (%)





# Cash flow

**Operating cash flow** strengthened to 59 SEKm (7) and was positively impacted by higher EBITDA.

The positive change in NWC was mainly related to lower inventory and increased accounts payables. Cash flow from investing activities amounted to 10 SEKm (10) and was related to development of new products.

The bank overdraft facility amounted to 18 SEKm (123) and was mainly related to purchases of products in stock. Lower utilization of the overdraft facility is mainly due to increased sales. Total credit facility amounts to 120 SEKm.

SEKm	Q1		apr-mar	Full year
	2023	2022	22/23	2022
EBITDA	41,6	11,3	64,3	34,0
Change in NWC	27,0	5,4	46,0	24,3
Net tangible and intangible expenditure	-9,7	-9,6	-32,1	-31,9
<b>Operating cash flow</b>	<b>58,8</b>	<b>7,1</b>	<b>78,2</b>	<b>26,4</b>

# Income statement

**Net sales in Q1 increased by 66%**, mainly due to increased demand in the market.

Lower shipping cost as well as positive currency effect improved the product result.

Warehouse cost was lower because of lower inventory, but some variable costs were higher due to increased sales.

Increased financial cost mainly related to higher interest expenses related to the overdraft facility.

SEKm	Q1		Apr-Mar	Full year
	2023	2022	22/23	2022
Net sales	195,5	117,5	563,5	485,6
Capitalized development expenditure	1,8	1,8	8,9	9,0
Other operating income	1,5	0,2	2,3	1,1
<b>Total revenue</b>	<b>198,7</b>	<b>119,6</b>	<b>574,8</b>	<b>495,7</b>
<b>Operating expenses</b>				
Goods for resale	-116,4	-70,3	-352,6	-306,4
Other external expenses	-22,1	-21,3	-87,1	-86,3
Personnel expenses	-18,6	-16,7	-70,8	-68,9
Depreciation and impairment of tangible and intangible non-current assets	-5,1	-4,0	-19,8	-18,8
<b>Total operating expenses</b>	<b>-162,2</b>	<b>-112,3</b>	<b>-530,3</b>	<b>-480,4</b>
<b>Operating profit</b>	<b>36,5</b>	<b>7,3</b>	<b>44,5</b>	<b>15,3</b>
Finance income	-	0,8	4,7	5,5
Finance costs	-2,3	-1,2	-8,3	-7,2
<b>Profit/loss after financial items</b>	<b>34,2</b>	<b>6,9</b>	<b>40,9</b>	<b>13,6</b>
Income tax expense	-7,2	-1,5	-9,9	-4,2
Deferred tax liabilities	0,0	0,0	1,3	1,2
<b>Profit for the period</b>	<b>27,0</b>	<b>5,4</b>	<b>32,3</b>	<b>10,7</b>

# Summary

- **The recovery in** the market strengthened further during the quarter.
- **Net sales growth** of +66%.
- **Attractive** product portfolio driving increased market share in the quarter.
- **Solid** product margin of 40,4%.
- **Significant** EBITDA-margin increase to 21,3%.
- **Strong** cash flow.
- **Increased** demand for PC gaming hardware despite macroeconomic and geopolitical uncertainty with high inflation affecting consumer purchasing power generally in most markets.
- **The clear** turnaround in the market and strong start of the year, including a continued strong performance in April, gives us confidence in our ability to drive profitable growth in 2023 and beyond.