



17 AUGUST 2023

Q2 2023 Report

QUARTERLY REPORT

Q2 Highlights

Sales increased by 157% in SEK to 245 SEKm (95) and by 139% in USD.

Sales out revenue increased by 49%. The difference between sales-in and sales-out increases is explained by channel stock filling dynamics.

Significantly increased market shares driven by successful product releases and expanded sales and marketing. Fractal is growing faster than market.

Successful launch of Terra case at end of May.

EBITDA increased to 48 SEKm (-3), with an EBITDA margin of 20%.

Product margin significant higher YoY; 40,2% compared to 30,7% last year.



Market Development & Demand

Q2 saw a decline in global PC shipments, but PC gaming hardware is back to healthy growth.

Expected larger "PC refresh cycle" within the next two years, driven by the need to upgrade older hardware from 2020 and 2021.

Impressive line-up of new PC games being launched in Q2 through Q4, most noteworthy being Diablo IV, Baldurs Gate 3 and Counter Strike 2.

Over **50%** of gamers and viewers discover new brands while engaging with gaming and **42%** of gamers say that they have bought a product or service recommended or used by their favorite streamer.

Sources: IDC, Statista, JPL & Newzoo



42% of gamers have bought something recommended by a streamer.

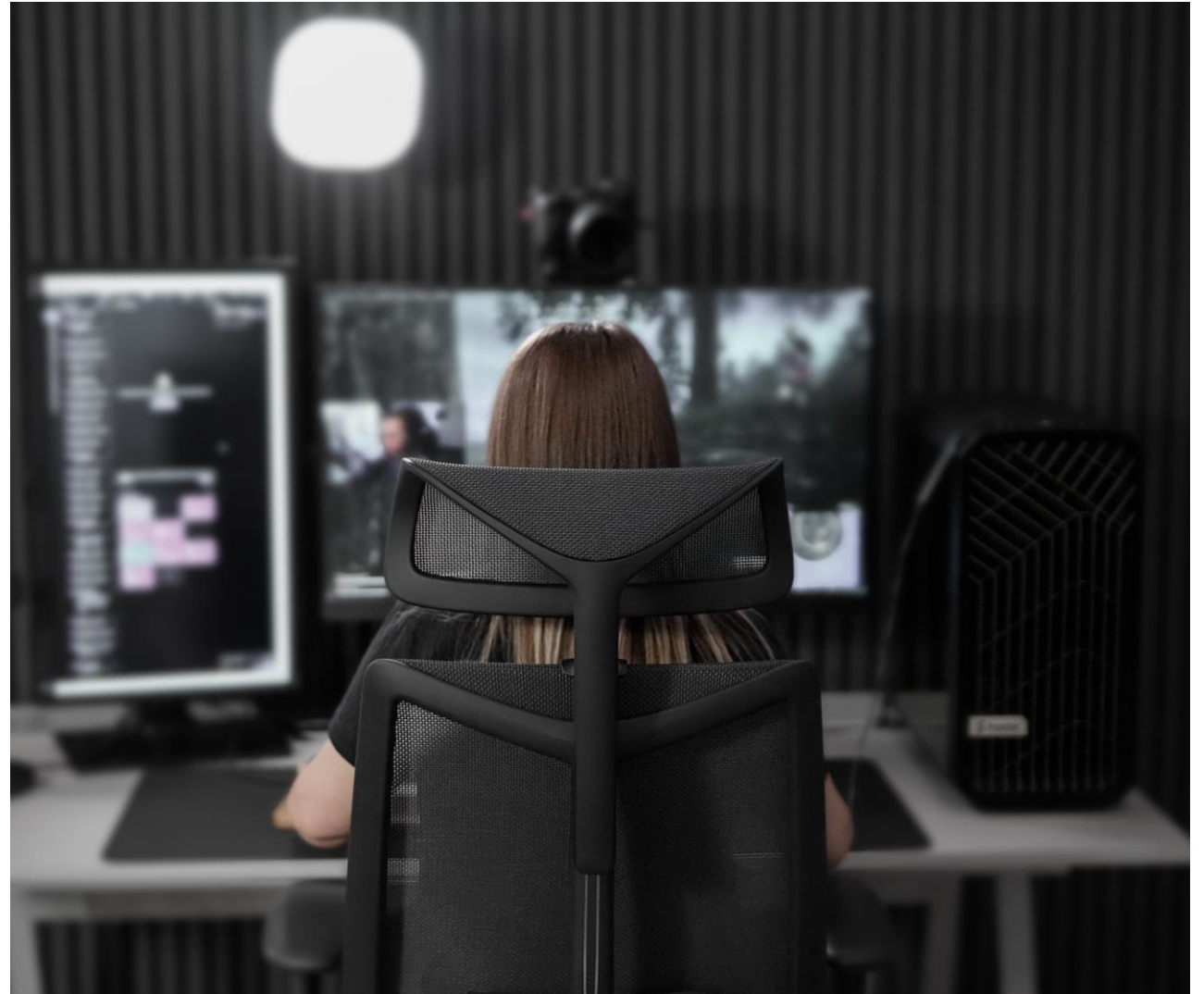
Global launch of Fractal Creator Program

Fractal launched the Fractal Creator Program for Twitch streamers in 2022, partnering with 150+ exceptional streamers to elevate gaming experiences.

The program offers content creators exclusive early access to Fractal products, tailor-made campaigns, and brand ambassador roles, igniting gaming community awareness.

Fractal aims to reach new and untapped audiences, foster connections, and gain valuable insights from consumers and streamers through this strategic initiative.

The program will expand continuously, accompanied by engaging marketing campaigns related to brand and product awareness in collaboration with creators and communities.



Terra launched during Q2 – an immediate success

Fractal launched the "Terra" case series at Computex, redefining small form factor gaming with its meticulously designed and innovative features.

Terra's ingeniously engineered design seamlessly integrates powerful gaming technology into living spaces, featuring anodized aluminum panels and a front panel made from FSC-certified solid walnut.

The product was received exceptionally well, getting praise from influencers, reviewers, media outlets, and consumers alike for its sleek design, innovative materials and captivating color alternatives.

Within two weeks of its release, Terra sold out worldwide, leading to diligent restocking efforts to meet the high demand.

Terra was honored with the prestigious "Best of Computex" accolade by selected media during the industry fair.



Net sales and Sales out

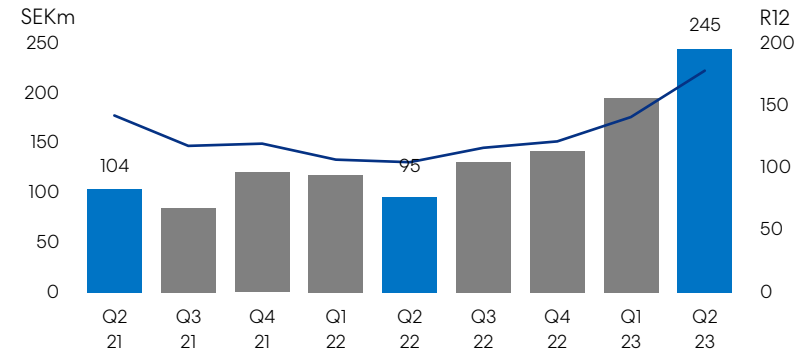
Net sales increased by **157.2%** to 245.3 SEKm (95.4) and organically by 139.4% to 23.3 USDm (9.7). Strong USD rate of 10.5 compared to 9.8 last year.

Strongest sales quarter in Fractal’s history!

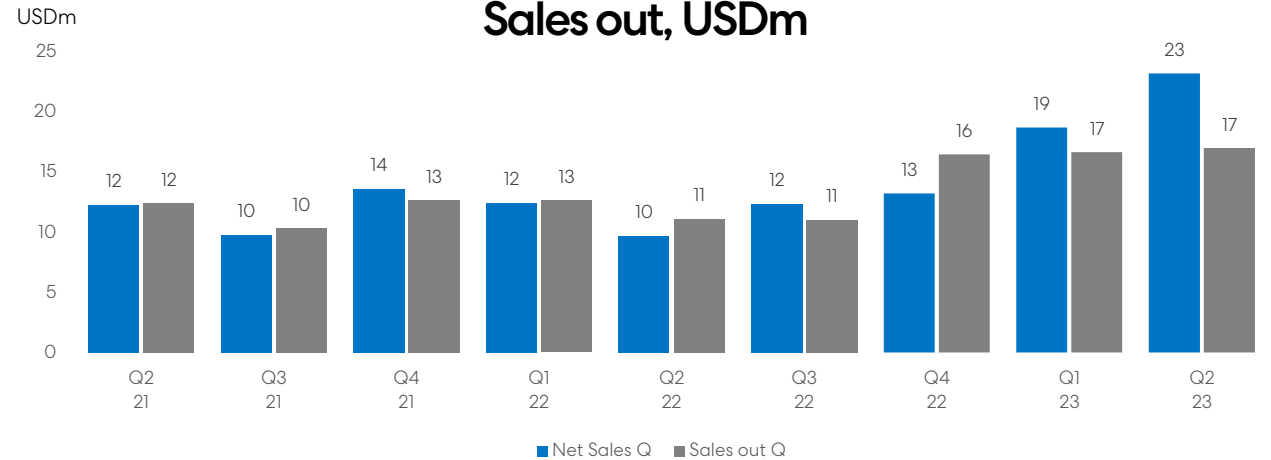
Sales out increased by 49.4% organically.

- Strong demand for Fractal’s products and successful product launches, with award winning case series as Torrent, Pop, North and Terra.
- Increased demand from end customers has led to retailers replenishing their stocks to be able to meet the increased sales growth.
- Good access to graphics cards and new GPUs on the market.

Net sales, SEKm



Sales out, USDm



Segment development

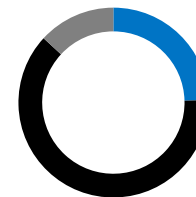
The strongest region in the quarter was EU with net sales of 152.7 SEKm (29.3), corresponding to 62.3% of total net sales. The increase was mainly driven by increased demand from end customers, successful launches and low inventory levels at retailers.

Net sales in Americas amounted to 60.3 SEKm (39.9), corresponding to 24.6% of total net sales and APAC & Other to 32.2 SEKm (26.1), 13.1% of total net sales.

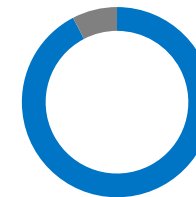
Sales of Cases was 92.3% (86.8) of total net sales, which is an increase vs. last year.

Net sales by geography and segment (SEKm)

SEKm	Business Segment					
	Cases Q2		Other Q2		Total Q2	
	2023	2022	2023	2022	2023	2022
Geographic market						
Americas	58	38	2	1	60	40
EU	142	24	10	5	153	29
APAC & Other	26	20	6	6	32	26
Total net sales	227	83	19	13	245	95



■ Americas 25% ■ EU 62% ■ APAC & Other 13%



■ Cases 92% ■ Other 8%

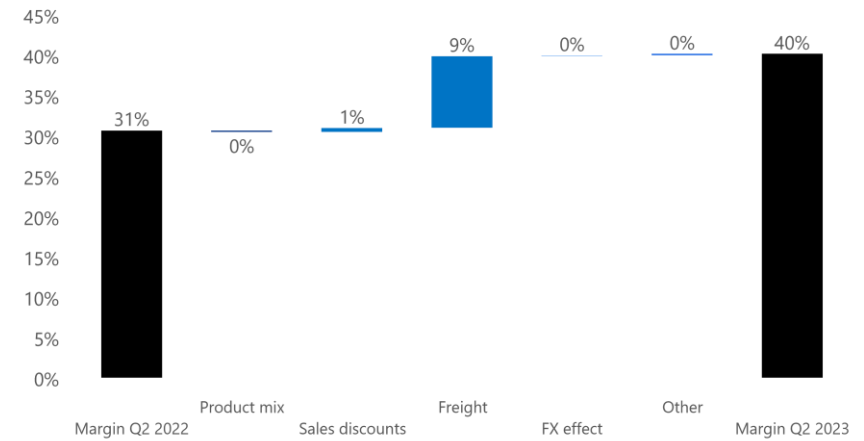
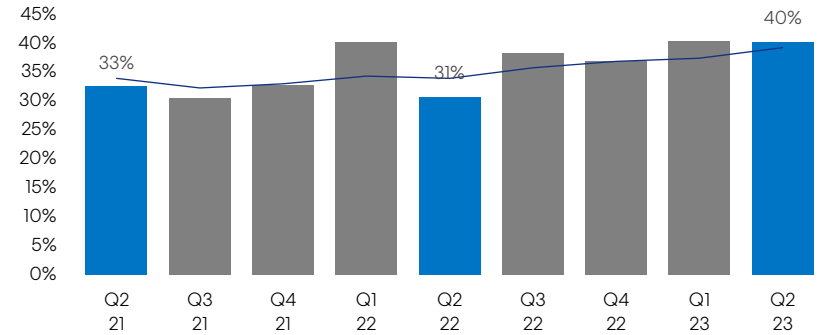
Product margin

The **product result** amounted to 98.7 SEKm (29.3) and the product margin to 40.2% (30.7), an increase of 9.5 percentage points.

Lower shipping costs positively affected the product margin by approximately 8.9 percentage points as shipping prices were lower than before the pandemic.

Potential for further margin increases.

Product margin (%)



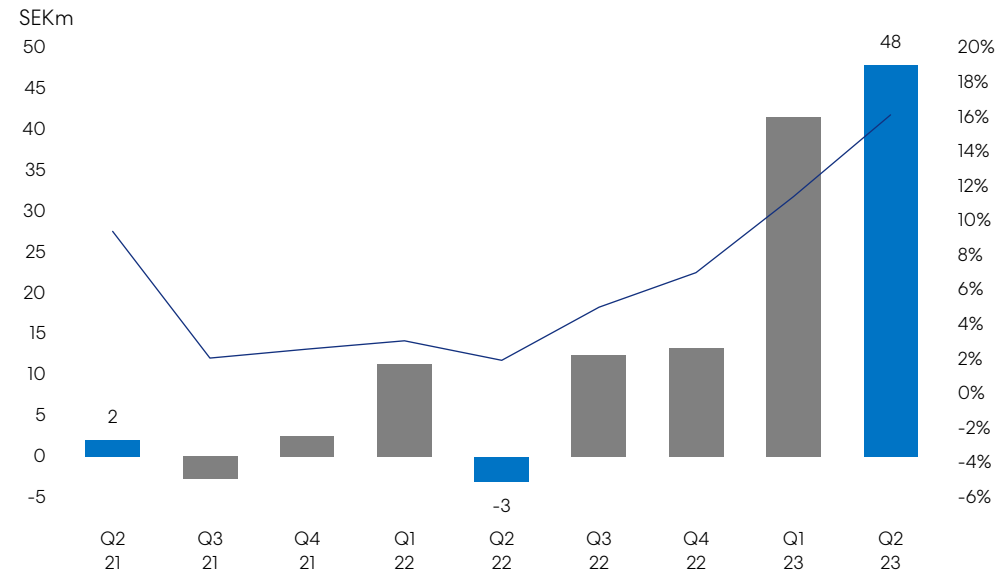
Earnings

EBITDA was 47.9 SEKm (-3.0) and the EBITDA-margin was 19.5% (-3.2).

The increase in EBITDA was mainly because of higher sales and product result.

Operating expenses increased primarily explained by variable cost. Warehouse cost continued to be at a lower level compared to last year due to decreased stock.

EBITDA (SEKm) and EBITDA-margin R12 (%)



Cash flow

Operating cash flow strengthened to 64.0 SEKm (-7.7) and was positively impacted by higher EBITDA.

The change in NWC was mainly related to increased accounts payables (95.8 SEKm), increased inventory (31.2 SEKm) and higher accounts receivables (57.7 SEKm) due to stronger sales.

Cash flow from investing activities amounted to 3.5 SEKm (9.9) and was related to development of new products.

The bank overdraft facility amounted to 0 SEKm (132.1).

Net cash of 12.7 SEKm compared to net debt of 127.4 SEKm last year.

SEKm	Q2		Jan—Jun		Jul-Jun	Full year
	2023	2022	2023	2022	22/23	2022
EBITDA	47,9	-3,0	89,5	8,3	115,3	34,0
Change in NWC	19,5	5,3	46,5	10,4	60,3	24,3
Net tangible and intangible expenditure	-3,5	-9,9	-13,2	-19,6	-25,6	-31,9
Operating cash flow	64,0	-7,7	122,8	-0,8	150,0	26,4

Income statement

All time high Net sales in Q2, increased by 157.2%, mainly due to increased demand in the market and low channel stock.

Lower shipping cost improved the product result.

Variable cost in % of sales in line with expectations and last year.
Warehouse cost lower due to lower inventory.

Increased personnel cost because of salary revision, additional employees and increased bonus provision.

Financial net in line with last year and positively affected by FX.
Lower utilization of the overdraft facility but higher interest rate.

SEKm	Q2		Jan—Jun		Jul-Jun	Full year
	2023	2022	2023	2022	22/23	2022
Net sales	245,3	95,4	440,8	212,9	713,4	485,6
Capitalized development expenditure	2,2	3,6	4,0	5,4	7,6	9,0
Other operating income	0,2	0,9	0,2	1,1	0,2	1,1
Total revenue	247,6	99,8	444,9	219,4	721,2	495,7
Operating expenses						
Goods for resale	-148,0	-66,1	-263,0	-136,3	-433,1	-306,4
Other external expenses	-30,8	-20,5	-52,9	-41,8	-97,5	-86,3
Personnel expenses	-20,9	-16,3	-39,5	-32,9	-75,4	-68,9
Depreciation and impairment of tangible and intangible non-current assets	-5,2	-4,5	-10,3	-8,5	-20,5	-18,8
Total operating expenses	-205,0	-107,3	-365,7	-219,6	-626,5	-480,4
Operating profit	42,7	-7,5	79,2	-0,2	94,7	15,3
Finance income	3,1	3,7	2,4	4,5	3,4	5,5
Finance costs	-1,2	-1,4	-2,7	-2,6	-7,3	-7,2
Profit/loss after financial items	44,7	-5,2	78,9	1,7	90,8	13,6
Income tax expense	-9,4	0,4	-16,6	-1,0	-19,8	-4,2
Deferred tax liabilities	0,1	0,7	0,1	0,7	0,6	1,2
Profit for the period	35,3	-4,1	62,3	1,3	71,7	10,7

Summary

- **Continued growing market share**, growing faster than the market.
- **Net sales growth** of +157%.
- **Solid** product margin of 40,2%.
- **Significantly** improved EBITDA-margin of 20%.
- **Strong** cash flow development, leading to a net cash position, assisting further growth.
- **The continued success of our newly launched products** combined with expanded sales and marketing efforts, gives us confidence in our ability to drive profitable growth in 2023 and beyond.
- **The exceptional growth was** driven by high demand and increased market shares with significant sales-out increase and the build-up of channel stock to reflect the increased demand. We now consider the stock build-up to be completed and expect sales-in and sales-out to harmonize in coming quarters.