

Market: OMXC Small Cap

Ticker: ASTK

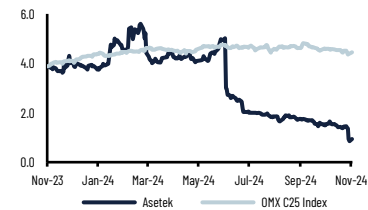
Share price (DKK): 1.08

Market cap (DKK): 105m

Net debt (DKK): 110m

Enterprise value (DKK): 226m

Share information



YTD -72.3% 1 year: -71.7%
1 month: -30.7% 3 years: N/A

Note: *We apply the closing price from 14 November 2024. Index rebased to November 2023. Share data reflects listing in Copenhagen. Source: S&P Capital IQ

Financials

USDm	2022	2023	2024E*
Revenue	50.7	76.3	52 - 55
Revenue growth	-36.5%	50.7%	-32% to -28%
Adj EBITDA	-0.8	15.9	0.5 - 2.2
Adj EBITDA margin	-2.2%	20.8%	1-4%
Adj EBIT	-5.4	9.4	N/A
Adj EBIT margin	-10.7%	12.3%	N/A
Net income	-4.3	6.0	N/A
Net income margin	-8.5%	7.9%	N/A
Net debt	14.3	9.3	N/A

Note: *Asetek's own 2024 guidance.

Valuation multiples

	2022	2023	2024E*
P/S (x)	0.6	0.7	0.3
EV/Sales (x)	0.9	0.8	0.6
EV/Adj EBITDA (x)	-57.8	4.1	15-62
EV/Adj EBIT (x)	-8.5	6.9	N/A
P/E (x)	-7.3	9.3	N/A
P/B (x)	0.2	0.1	N/A
P/CF (x)	N/A	0.6	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers from S&P Capital IQ. *Multiples in 2024 are based on Asetek's own guidance

Company description

Asetek is a Danish designer, manufacturer, and seller of high-end gaming hardware and is a leading producer of liquid cooling solutions for computer enthusiasts and gamers to major OEM gaming brands. Additionally, the company produces a range of high-end SimSports products for sim racing, an area it increasingly allocates resources towards. Asetek has side-lined its liquid cooling for data centre operations, which may be restarted if regulations develops favourably, and a solid business case is presented.

Investment case

Asetek has faced volatile demand since Covid-19, initially with a surge due to global lockdowns, followed by weakness in 2022, a recovery in 2023, and again a weaker 2024. Over the mid/long term Asetek's liquid cooling and SimSports activities are supported by digitalization, with SimSports forecast to grow at 16%⁽¹⁾ annually.

During 2024, Asetek's liquid cooling business has faced market challenges as lower-cost entrants, a large customer insolvency and general market weakness have impacted revenues and margins. As such liquid cooling cash flows are no longer expected to fully support investments to scale up SimSports, and Asetek announced a planned rights issue in connection with Q3 2024 to raise up to USD 15m (about DKK 100m, in Q4'24/Q1'25). The capital will bridge the expected investment gap of around USD 20m to reach its mid-term SimSports ambitions for revenues of USD 50m and positive (single-digit) EBITDA margins.

Mid-term ambitions within liquid cooling are for revenue around USD 50m with >25% adj. EBITDA margin, showing some permanent margin contraction due to market changes, but overall ongoing profitability at a solid level and with some growth 2026 onwards as market conditions improve and new customer agreements reach full scale. Overall, Asetek has potential to assume a significant market share in a growing SimSports market, with an ongoing profitable liquid cooling business. Risks remain high, but the share price has also adjusted to reflect the situation.

¹Asetek Annual Report 2023, via Statista

²<https://www.marketsandmarkets.com/Market-Reports/racing-simulator-market-247895850.html>

Key investment reasons

SimSports activities continue to develop positively with 40-60% growth expected FY2024. Continued strong development despite broader gaming hardware weakness is a positive signal. Asetek's recent partnership with Xbox to develop console-compatible products significantly expands the SimSports market opportunity, and while the timeline toward profitability is uncertain the market size and appetite for Asetek's products is growing.

Improving macro conditions, including falling interest rates and lower inflation may lift demand for premium gaming hardware, while ramp-up with a new large liquid cooling customer may support ongoing profitability around the mid-term target level.

Asetek's market value has adjusted lower following its revised guidance and capital raise announcement. A successful capital raise and improving outlook based on delivering at or above its guidance and with improving markets could see valuation improve.

Key investment risks

There is a risk that raising sufficient capital via its rights issue and other means is unsuccessful, straining liquidity. Additionally, large equity write-downs in Q3 2024 reduce solvency ratios.

A significant guidance revision 01.07.2024, driven by weak market conditions, a larger customer exit, and competition from lower-cost producers has negatively impacted revenue and squeezed margins, with margins likely permanently lower at around the 25% Adj. EBITDA level. There is also a risk that Asetek fails to capture a sizeable share of the SimSports market and/or that the industry does not develop as expected.

Asetek's customers are highly concentrated, with 89% of revenues in Q3 2024 from its five largest customers. A larger customer exited the market in 2024, and another has downscaled due to adverse market conditions impacting sales. Asetek is thereby exposed to third-party risks as it doesn't sell directly to end-user markets.

Peer group

Company	Price	Total return	Market cap	Latest net debt	EV/Sales			EV/EBITDA			EV/EBIT			Revenue CAGR	
	(local)	YTD	(EURm)	(EURm)	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025	2020-23	2023-25e
Fractal Gaming Group AB	SEK 32	-8.3%	81	-2	1.9	1.2	1.2	31.9	6.8	6.5	62.3	7.9	7.7	6.8%	5.3%
Corsair Gaming, Inc.	USD 6.9	-51.1%	682	165	1.2	1.1	1.0	74.6	16.0	12.4	0.0	18.2	13.9	-5.0%	11.9%
Micro-Star International Co.	TWD 171	-15.2%	4,119	-515	0.8	0.8	0.8	12.5	13.1	10.8	14.1	14.0	11.5	7.7%	9.0%
Turtle Beach Corporation	USD 15.3	39.4%	290	90	0.8	0.7	0.7	NM	21.0	6.8	NM	NM	25.6	-10.5%	11.8%
Median		-11.8%	486	44	1.0	1.0	0.9	31.9	14.6	8.8	14.1	14.0	12.7	0.9%	10.4%
Asetek A/S	DKK 1.08	-72.3%	14	16	1.2	0.6*	N/A	4.1*	15-62*	N/A	6.9*	N/A	N/A	1.6%	N/A

Premium (+) / Discount (-) to peers

Source: S&P Capital IQ

Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates S&P Capital IQ. Some peers have no or limited analyst cover; hence N/A shows for some data points. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P Capital IQ a credible source of information.

Peers Group overview:

Peer group overview: Asetek's peer group consists of companies engaged in the manufacture of gaming hardware and SimSports equipment. Corsair is a leading competitor to Asetek in the liquid cooling segment, while Endor is a market leader within sim racing sim equipment manufacture. Asetek's peers generally share a greater market cap than Asetek, but we feel comparison remains appropriate.

Fractal Gaming Group: is a Swedish company that operates in the gaming and esports industry. The company designs and manufactures a wide range of gaming peripherals, including cases, power supplies, cooling solutions, and other PC components, with a primary focus on premium PC cases for gamers. Fractal is a customer of Asetek's liquid cooling systems, as a core component to Fractal's liquid cooling systems.

Corsair Gaming: is a US-based company that designs, manufactures, and sells high-performance gaming peripherals and hardware. The company's products include gaming keyboards, mice, headsets, and PC components such as cooling systems, power supplies, and memory modules. Corsair Gaming primarily targets gamers and PC enthusiasts and also offers a range of products and services for streaming and content creation, such as microphones and webcams. Corsair develops a liquid cooling system in partnership with Asetek's leading competitor CoolIT.

Micro-star International: also known as MSI, is a Taiwan-based multinational electronics company that specialises in computer hardware. The company's products include motherboards, graphics cards, laptops, desktops, and other gaming peripherals. MSI is a well-known brand in the gaming industry, and its products are aimed at gamers and PC enthusiasts. The company has a strong presence in Asia, Europe, and North America, and it has a significant market share in the gaming motherboard and graphics card markets.

Turtle Beach Corp: is a US-listed gaming hardware equipment producer. It is the market leader for gaming headsets in the US, also producing SimSports hardware, including eRacing since 2024 (entry level), and other segments include PC gaming accessories and gaming controllers. Turtle Beach Corp sells its products globally under its own brand.