

Market: OMXC Small Cap

Ticker: ASTK

Share price (DKK): 3.00

Market cap (DKKm): 294.9m

Net debt (DKKm): 88.9

Enterprise value (DKKm): 383.8

Share information



Ytd: -23.1% 1 year: -45.3%

1 month: -26.7% 3 year: N/A

Note: *We apply the closing price from 28 May 2024. Index rebased to May 2023. Share data reflects listing in Copenhagen. Source: Refinitiv

Financials

USDm	2022	2023	2024E*
Revenue	50.7	76.3	
Revenue growth	-36.5%	50.7%	Suspended
Adj EBITDA	-0.8	15.9	
Adj EBITDA margin	-2.2%	20.8%	Suspended
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	N/A
EV/Sales (x)	0.9	0.8	N/A
EV/Adj EBITDA (x)	-57.8	4.1	N/A
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, CapitalIQ. *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's gaming hardware (Liquid Cooling) and gaming simulator (SimSports) markets are forecast for annual growth rates of 9%¹ and 16%², respectively, over the next 5 years as the company is well positioned to capitalise on the digitalisation trend.

In 2023, Asetek grew revenues by >50%, realising its second-best EBIT result, behind 2021, marking a strong recovery as chip shortages eased and consumer demand strengthened. Asetek also eased its liquidity tightness in 2023, raising net proceeds of USD 16.1m via its Q2 2023 rights issue, and is nearing completion of its new HQ (mid-2024), following which, shorter-term loans will be converted to a long-term mortgage.

Asetek targets continued growth in liquid cooling, despite a step back expected FY2024E, driven by new customers, next-gen product launches, growth with its market-leading customers, and broader market access, particularly in China, via a lower-premium product. Asetek is also scaling up its SimSports, supported by positive Liquid Cooling cash flows. New products and launch of a new mass-market product line can drive market share growth in a fast-growing, fragmented market with a ~USD 500m market size².

For 2024, Asetek faces ongoing uncertainty due to elevated inventories at its OEM customers, leading to halting its guidance as the market improvement expected after Q1 2024 have not thus far materialised.

¹Asetek Annual Report 2023, via Statista

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

Key investment reasons

Asetek's liquid cooling segment rebounded in 2023 with over 50% growth driven by new product launches, demand return, and OEM customer restocking. Asetek added new partners in 2023 and looks to expand its market share by expanding its product range to address the lower-premium segment, highly demanded in China.

Cost cutting in 2022 to trim the organisation contributed to margin re-expansion in 2023 as OPEX declined 7% yoy in 2023. Asetek's margins can expand further as SimSports production is scaled up and production is relocated to Asia in the medium term.

Following the rights issue in Q2 2023, which was significantly dilutive, Asetek's market value has adjusted lower. However, with improved liquidity and a return to positive operating cash flows, a continued de-risking could support multiple expansion, as its EV/EBIT and P/E multiples currently trade below its peer group average.

Key investment risks

A profit warning and suspension of guidance on 11.06.24, driven by lower-than-expected purchase forecasts from its customers, suggesting a sizeable earnings revision to the downside. Liquid cooling volatility remains high and Asetek's visibility remains low. A return to sustained negative operating cash flows could again strain liquidity in the medium-term. There is also a risk that Asetek fails to capture a leading position in its SimSports market and/or that the industry does not develop as expected.

Asetek's customers are highly concentrated, with 91% of revenues in 2023 from its five largest customers, and therefore, losing a large customer would be significant. While we don't have any indication that this is likely, Asetek has previously lost a major client, Corsair Gaming, to competitor CoolIT in 2019.

Asetek's liquidity tightness arising from financing its new HQ, SimSports investments, and negative cash flows from operations, are mostly resolved, but could become strained if negative cash flows from operations return and persist.

Peer group

Company	Price	Total return	Market cap	Latest net debt	EV/Sales			EV/EBITDA			Price/EPs			EBIT margin (%)	
	(local)	Ytd	(EURm)	(EURm)	2023A	2024E	2025E	2023A	2024E	2025E	2023A	2024E	2025E	3-yr avg	TTH
Fractal Gaming Group AB	SEK 43.9	25.8%	113	-5.6	1.7x	1.6x	1.5x	9.2x	9.2x	8.6x	14.2x	14.8x	13.6x	7.5%	14.3%
Corsair Gaming Inc	USD 11.5	-18.6%	1,109	74	0.9x	0.8x	0.8x	12.6x	11x	8.5x	19.5x	16.5x	12.6x	2.0%	-0.1%
Micro-Star International Co Ltd	TWD 178.0	-12.7%	4,359	-472	0.7x	0.6x	0.6x	11.2x	10x	8.5x	15.7x	14x	12x	7.0%	4.4%
Turtle Beach Corp	USD 15.8	44.1%	316	62	1.4x	1x	0.9x	39.1x	6.9x	5.5x	N/A	15.4x	11.1x	-5.3%	-4.1%
Average		9.6%	1,474	-85	1.2x	1x	0.9x	18.1x	9.3x	7.8x	16.5x	15.2x	12.3x	2.8%	3.6%
Asetek A/S	DKK 3.00	-23.1%	39	11.9	0.5x	N/A*	N/A	4.1	N/A*	N/A	6.2x	N/A	N/A	3.3%	10.6%

Note: Data from 13/06/24

Note: * FY 2024 guidance suspended

Source: Refinitiv

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 (Mean estimates) from Refinitiv. 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 Refinitiv 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.