



LIQUID  
COOLING  
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**Second Quarter 2014**

13 August, San Jose, USA



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# Web Presentation

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Presentation by:



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# Agenda



- I. **Financial review**
- II. Operational review
- III. Summary and outlook
- IV. Q&A Session

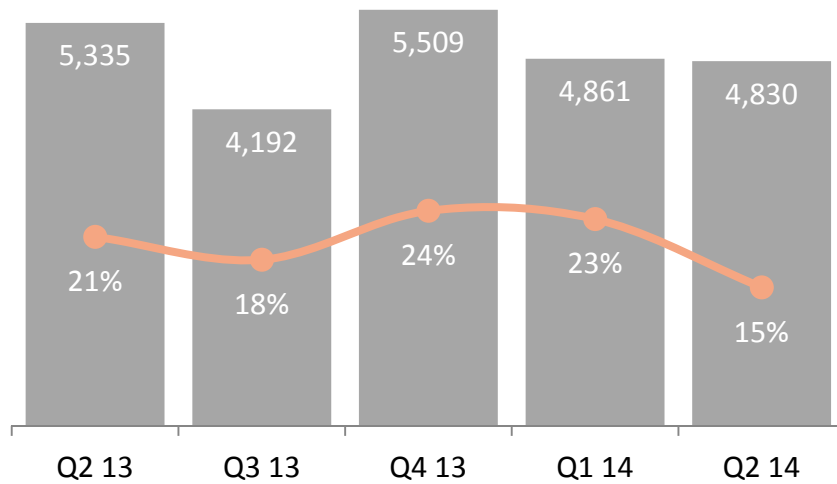


# Earnings development



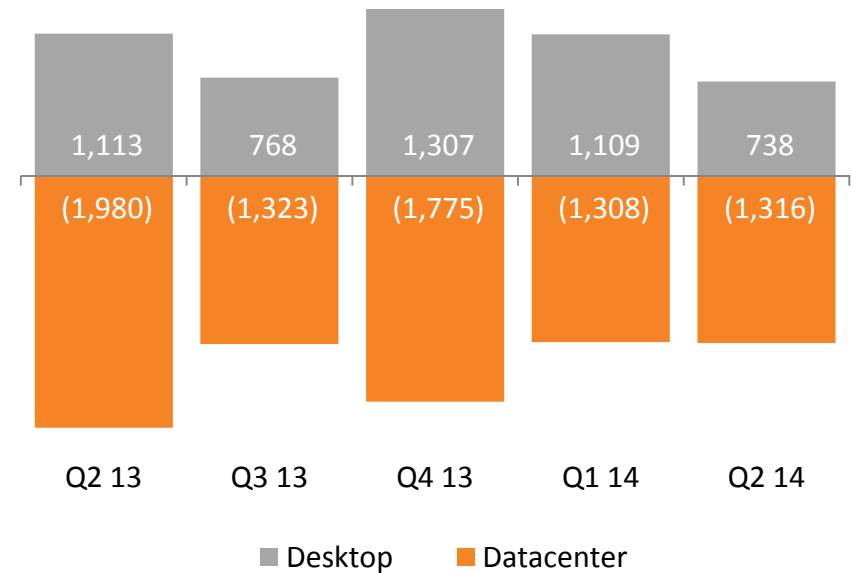
Desktop revenue and EBITDA margin

USD (000's)



Group EBITDA development

USD (000's)



# Income Statement – segment breakdown



USD (000's)	Q2 2014			Q2 2013		
	Group	Desktop	Data center	Group	Desktop	Data center
Revenue	<b>5 405</b>	4 830	575	<b>5 335</b>	5 335	-
<i>Gross Margin</i>	<b>41.3 %</b>	41.7%	37.9%	<b>38.4 %</b>	38.4%	N/A
Other operating expenses	<b>2 810</b>	1 276	1 534	<b>2 914</b>	934	1 980
EBITDA adjusted	<b>(578)</b>	738	(1 316)	<b>(867)</b>	1 113	(1 980)
Depreciations	<b>403</b>	152	251	<b>356</b>	329	27
Share based compensation	<b>221</b>	97	124	<b>34</b>	13	21
EBIT, by segment	<b>(1 202)</b>	489	(1 691)	<b>(1 263)</b>	768	(2 031)
<i>EBIT Margin</i>	<b>-22.2 %</b>	10.1%	N/A	<b>-23.7 %</b>	14.4%	N/A
HQ, Litigation expenses	<b>927</b>			<b>389</b>		
HQ, Share based compensation	<b>51</b>			<b>6</b>		
HQ, Other	<b>254</b>			<b>228</b>		
<b>EBIT, total</b>	<b>(2 434)</b>			<b>(1 880)</b>		

- Revenues driven by increased shipments of data center products
- Margin improvement reflects business model change, cost savings and proactive product mix management



# Cash Flow Statement



USD (000's)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
<b>Net cash used in operating activities</b>	<b>(611)</b>	<b>(1 822)</b>	<b>(1 393)</b>	<b>(1 236)</b>	<b>(822)</b>
<b>Net cash used in investing activities</b>	<b>(624)</b>	<b>(665)</b>	<b>(860)</b>	<b>(1 241)</b>	<b>(466)</b>
<b>Net cash provided (used) by financing activities</b>	<b>(156)</b>	<b>288</b>	<b>170</b>	<b>398</b>	<b>(3 077)</b>
Effect of exchange rate changes on cash	60	(93)	465	287	(490)
<b>Net changes in cash and cash equivalents</b>	<b>(1 331)</b>	<b>(2 292)</b>	<b>(1 618)</b>	<b>(1 792)</b>	<b>(4 855)</b>
Cash and cash equivalents at beginning of period	9 371	11 663	13 281	15 074	19 929
<b>Cash and cash equivalents at end of period</b>	<b>8 040</b>	<b>9 371</b>	<b>11 663</b>	<b>13 281</b>	<b>15 074</b>

- Growing the datacenter business through marketing and development, and defending intellectual property continues to fuel the usage of cash.
- \$8.0 million of cash on hand as of June 30, 2014.



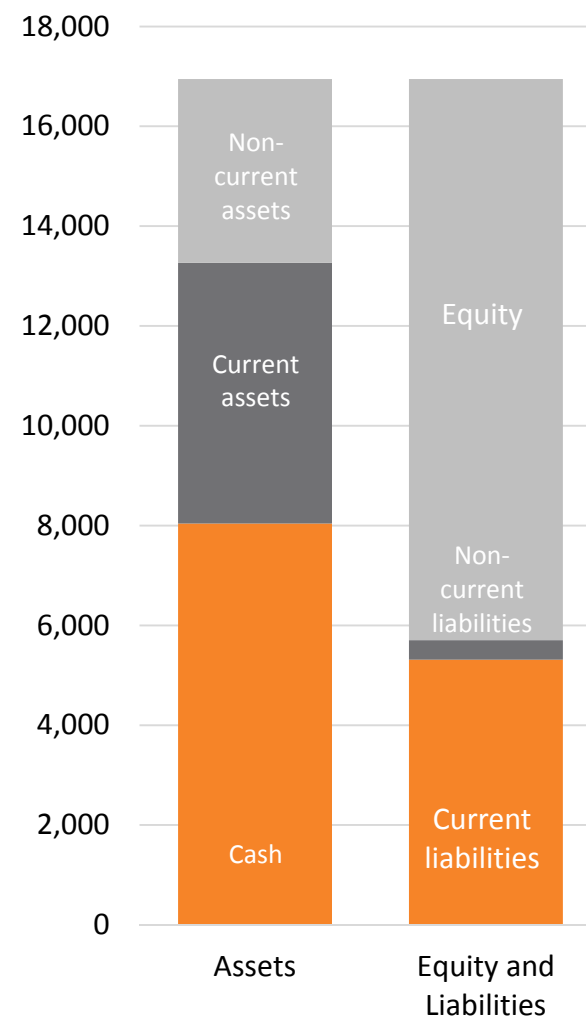
# Balance sheet



USD (000's)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Total non-current assets	3 679	3 480	3 249	2 651	1 943
Inventories	1 308	1 165	1 074	963	938
Receivables	3 932	4 933	4 997	3 455	3 616
Cash and equivalents	8 040	9 371	11 663	13 281	15 073
Total current assets	13 280	15 469	17 734	17 699	19 627
<b>Total assets</b>	<b>16 959</b>	<b>18 949</b>	<b>20 983</b>	<b>20 350</b>	<b>21 570</b>
<b>Total equity</b>	<b>11 219</b>	<b>13 338</b>	<b>14 808</b>	<b>15 979</b>	<b>17 637</b>
Total non-current liabilities	391	415	475	228	4
Total current liabilities	5 349	5 196	5 700	4 143	3 929
<b>Total liabilities</b>	<b>5 740</b>	<b>5 611</b>	<b>6 175</b>	<b>4 371</b>	<b>3 933</b>
<b>Total equity and liabilities</b>	<b>16 959</b>	<b>18 949</b>	<b>20 983</b>	<b>20 350</b>	<b>21 570</b>

- Inventory turns: ~11 times per year
- Trade receivables DSO: ~57 days at Q2 2014

Balance sheet composition – Q2 2014



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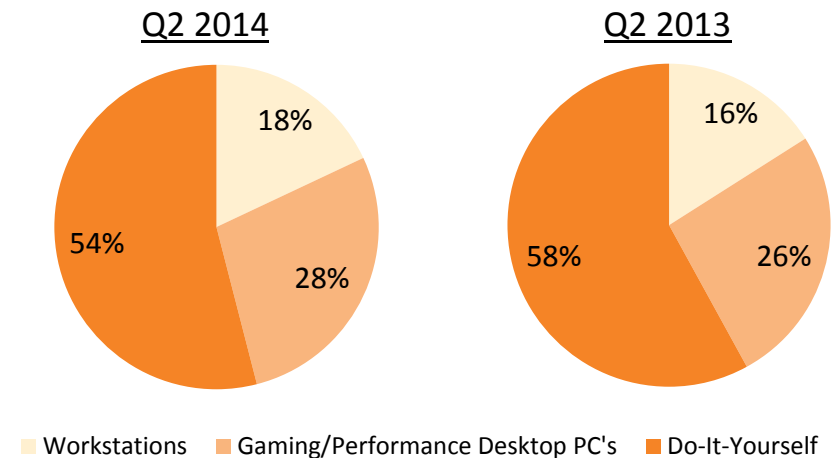
# Desktop

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## Operational highlights

- Desktop revenues declined 9% from Q2 2013
  - As expected due to normal variances in the DIY market and changes in business model on certain products
- Margins increased by more than three percentage points
  - Proactive management of product mix and cost savings achieved with certain suppliers as well as business model change
- Workstation and Gaming/Performance Desktop PC business remained fairly level with Q2 2013
- AMD introduced and shipped newest and fastest graphics card, the AMD Radeon R9 295X2 with Asetek liquid cooling
- New strategic design win in the Workstation market during the quarter
- Three new products released by NZXT in Q2.

## Revenue split first half year



# Datacenter



## Operational highlights

- Received and shipped the largest single order to date for RackCDU™
  - Total value of \$350,000
  - U.S. Federal Government National Laboratory will be one of the world's largest liquid cooling installations
- Patent on RackCDU™ granted by U.S. Patent and Trademark Office
- Continued progress on the contract for the U.S. Department of Defense at the Redstone Arsenal data center
- University of Tromsø presented at ISC '14 to the public about their positive results
- IDC and Cray released white paper on RackCDU liquid cooling
- Mississippi State University and Cray did webinar on positive RackCDU results

## IDC White Paper



### IDC TECHNOLOGY SPOTLIGHT

#### The Cray CS300 Cluster's Warm Water Cooling Is at the Forefront of an HPC Industry Trend

April 2014

By Steve Conway, Earl C. Joseph, Ph.D., and Chirag Dekate, Ph.D.

Sponsored by Cray Inc.

Recent IDC surveys of the worldwide high-performance computing (HPC) market consistently show that cooling today's larger, denser HPC systems has become one of the top challenges for datacenter managers. These surveys reveal a notable trend toward liquid cooling because this method is inherently more efficient than air cooling. But not all forms of liquid cooling are equally efficient. In recent years, warm water cooling has emerged as an effective alternative to established methods that employ chilled liquids. This Technology Spotlight reviews the liquid cooling trend and the innovative use of warm water cooling in the Cray CS300 cluster supercomputer to reduce capital expense and operating costs.

#### Power and Cooling: A Top Issue for HPC Datacenters

In IDC's worldwide surveys since 2006, power and cooling has consistently ranked among the top 3 concerns for HPC datacenters, right behind price performance and the perennial quest for bigger budgets.

#### The Trend Toward Liquid Cooling

In *Power and Cooling Practices and Planning at HPC Sites*, an IDC worldwide study, the surveyed sites confirmed that cluster compute densities have increased substantially with the proliferation of multicore/multi-core processors, double-dense blade form factors, wider and deeper cabinets, and related developments. Most sites employed air cooling, but all of the sites indicated they were exploring alternatives to meet their future cooling needs (see Figure 1):

- 54% of the sites were considering liquid cooling alternatives. Within this majority group, 64% of the sites were evaluating liquid cooling using chilled water and 43% were looking at liquid cooling in locus (i.e., at the rack, board, or chip package level). Sites were allowed to name more than one approach under consideration.
- Just 18.9% were evaluating air-cooled approaches. An additional 14.9% were assessing cooling based on alternative energy sources (geothermal, solar, and wind energy), while 12.2% were looking at methods fitting none of these categories.

IDC 1689



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# Summary and outlook

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## Desktop

- DIY market slightly down in Q2 compared to Q2 2013.
  - Gaming/Performance Desktop PC and Workstation markets were stable
- Q2 and 1<sup>st</sup> half showed continued strength in gross margins
- Revenue decrease and margin increase partially linked and caused by business model changes
- Third quarter revenues expected to be in line with Q2, an increase over Q3 2013
- Gross margin expected to continue at 1<sup>st</sup> half levels
- Two new Asetek products expected to be released in the DIY market in Q3 2014
- New design win in the Workstation expected to start shipping 2<sup>nd</sup> half

## Datacenter

- The largest order to date was fulfilled within a very short lead time and proved Asetek's volume manufacturing capability for data center products
- Design-in efforts continue with multiple OEMs and System Integrators
- Modular data center development project with major OEM
- Project with major chip manufacturer to develop cooling solution for a next-generation platform
- Continued progress on Redstone Arsenal Network Enterprise Center for U.S. Department of Defense



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# Q&A

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# Appendix



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# Income statement

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Figures in USD (000's)	Q2 2014		Q2 2013		H1 2014		H1 2013		2013
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
Revenue	\$ 5,405	\$ 5,335	\$ 10,805	\$ 10,260	\$ 20,729				\$ 20,729
Cost of sales	3,192	3,335	6,348	6,382	12,680				12,680
<b>Gross profit</b>	<b>2,213</b>	<b>2,000</b>	<b>4,457</b>	<b>3,878</b>	<b>8,049</b>				<b>8,049</b>
Research and development	895	1,234	1,681	2,230	4,492				4,492
Selling, general and administrative	3,740	2,666	6,960	5,036	11,236				11,236
Foreign exchange loss (gain)	12	(20)	(8)	(9)	80				80
<b>Total operating expenses</b>	<b>4,647</b>	<b>3,880</b>	<b>8,633</b>	<b>7,257</b>	<b>15,808</b>				<b>15,808</b>
<b>Operating income</b>	<b>(2,434)</b>	<b>(1,880)</b>	<b>(4,176)</b>	<b>(3,379)</b>	<b>(7,759)</b>				<b>(7,759)</b>
Finance income	1	43	1	1,593	1,865				1,865
Finance costs	(21)	(549)	(42)	(781)	(830)				(830)
<b>Total financial income (expenses)</b>	<b>(20)</b>	<b>(506)</b>	<b>(41)</b>	<b>812</b>	<b>1,035</b>				<b>1,035</b>
<b>Income before tax</b>	<b>(2,454)</b>	<b>(2,386)</b>	<b>(4,217)</b>	<b>(2,567)</b>	<b>(6,724)</b>				<b>(6,724)</b>
Income tax (expense) benefit	-	-	(4)	-	443				443
<b>Income for the period</b>	<b>(2,454)</b>	<b>(2,386)</b>	<b>(4,221)</b>	<b>(2,567)</b>	<b>(6,281)</b>				<b>(6,281)</b>
<i>Other comprehensive income items that may be reclassified to profit or loss in subsequent periods:</i>									
Foreign currency translation adjustments	60	68	(27)	(64)	52				52
<b>Total comprehensive income</b>	<b>\$ (2,394)</b>	<b>\$ (2,318)</b>	<b>\$ (4,248)</b>	<b>\$ (2,631)</b>	<b>\$ (6,229)</b>				<b>\$ (6,229)</b>
<b>Income per share (in USD):</b>									
Basic	\$ (0.17)	\$ (0.17)	\$ (0.30)	\$ (0.19)	\$ (0.46)				\$ (0.46)
Diluted	\$ (0.17)	\$ (0.17)	\$ (0.30)	\$ (0.19)	\$ (0.46)				\$ (0.46)



# Balance Sheet

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Figures in USD (000's)	30 Jun 2014	31 Mar 2014	31 Dec 2013
<b>ASSETS</b>	<i>Unaudited</i>	<i>Unaudited</i>	
<i>Non-current assets</i>			
Intangible assets	\$ 2,423	\$ 2,138	\$ 1,823
Property and equipment	929	1,012	1,096
Other assets	327	330	330
<b>Total non-current assets</b>	<b>3,679</b>	<b>3,480</b>	<b>3,249</b>
<i>Current assets</i>			
Inventory	1,308	1,165	1,074
Trade receivables and other	3,932	4,933	4,997
Cash and cash equivalents	8,040	9,371	11,663
<b>Total current assets</b>	<b>13,280</b>	<b>15,469</b>	<b>17,734</b>
<b>Total assets</b>	<b>\$ 16,959</b>	<b>\$ 18,949</b>	<b>\$ 20,983</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	\$ 265	\$ 264	\$ 264
Share premium	64,413	64,411	64,357
Accumulated deficit	(53,110)	(50,928)	(49,490)
Translation and other reserves	(349)	(409)	(323)
<b>Total equity</b>	<b>11,219</b>	<b>13,338</b>	<b>14,808</b>
<i>Non-current liabilities</i>			
Long-term debt	391	415	243
Other long-term liabilities	-	-	232
<b>Total non-current liabilities</b>	<b>391</b>	<b>415</b>	<b>475</b>
<i>Current liabilities</i>			
Short-term debt	348	481	420
Accrued liabilities	1,540	1,004	802
Accrued compensation & employee benefits	889	785	995
Trade payables	2,572	2,926	3,483
<b>Total current liabilities</b>	<b>5,349</b>	<b>5,196</b>	<b>5,700</b>
<b>Total liabilities</b>	<b>5,740</b>	<b>5,611</b>	<b>6,175</b>
<b>Total equity and liabilities</b>	<b>\$ 16,959</b>	<b>\$ 18,949</b>	<b>\$ 20,983</b>





# Cash Flow

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Figures in USD (000's)	H1 2014	H1 2013	2013
	Unaudited	Unaudited	
<b>Cash flows from operating activities</b>			
Income (loss) for the period	\$ (4,221)	\$ (2,567)	\$ (6,281)
Depreciation and amortization	816	904	2,030
Finance costs (income)	21	(812)	(1,035)
Income tax expense (income)	4	-	(443)
Impairment of intangible assets	36	-	62
Cash receipt (payment) for income tax	(4)	-	222
Share based payments expense	601	77	593
Changes in trade receivables, inventories, other assets	801	448	(1,109)
Changes in trade payables and accrued liabilities	(487)	24	1,406
<b>Net cash used in operating activities</b>	<b>(2,433)</b>	<b>(1,926)</b>	<b>(4,555)</b>
<b>Cash flows from investing activities</b>			
Additions to intangible assets	(1,207)	(773)	(2,128)
Addition to other assets	-	-	(314)
Purchase of property and equipment	(82)	(199)	(631)
<b>Net cash used in investing activities</b>	<b>(1,289)</b>	<b>(972)</b>	<b>(3,073)</b>
<b>Cash flows from financing activities</b>			
Cash received for leasing of previously purchased equipment	248	-	-
Long-term deposit received from sub-lessee	-	-	234
Cash payments on long-term debt	-	(3,621)	(3,621)
Funds drawn (paid) against line of credit	(104)	(63)	57
Cash payments for interest on debt	-	(461)	(461)
Proceeds from issuance of share capital	58	24,835	25,099
Cash paid for fees related to IPO	-	(3,394)	(3,405)
Principal and interest payments on finance leases	(70)	(3)	(42)
<b>Net cash provided by financing activities</b>	<b>132</b>	<b>17,293</b>	<b>17,861</b>
Effect of exchange rate changes on cash and cash equivalents	(33)	(570)	182
<b>Net changes in cash and cash equivalents</b>	<b>(3,623)</b>	<b>13,825</b>	<b>10,415</b>
Cash and cash equivalents at beginning of period	11,663	1,248	1,248
<b>Cash and cash equivalents at end of period</b>	<b>\$ 8,040</b>	<b>\$ 15,073</b>	<b>\$ 11,663</b>

