



Razer Announces Annual Results 2018

***Record revenue with growth hitting three-year high
Fourfold revenue increase in Services business
Net loss significantly narrowed***

- Group revenues reached an all-time high of US\$712.4 million, with year-on-year growth hitting a three-year high of 37.6%
- Group net loss significantly narrowed by 41.0% year-on-year to US\$97.9 million
- Hardware:
 - 29.4% year-on-year growth to approximately US\$615.5 million
- Software:
 - 40.7% year-on-year growth to approximately 60 million total registered users as of February 28, 2019
- Services:
 - Delivering on the ecosystem vision that was shared at IPO, Services business revenue recorded approximately fourfold increase in revenue to US\$49.6 million*. The business contributed approximately 7.0% and 14.0% of the Company's revenues and gross profit, respectively
- New Growth Initiatives:
 - Mobile gaming: Definitively created the new category of gaming smartphones. Evolving mobile gaming to the next level with continued investment in mobile gaming software. Establishing partnerships in mobile gaming industry
 - Razer Pay: One of the largest offline-to-online (O2O) digital payment networks in Southeast Asia, generated US\$1.4 billion in total payment value in 2018

(Hong Kong, March 21, 2019) – Razer™ (“Razer” or the “Company”, HKEX stock code: 1337), the leading global lifestyle brand for gamers, today announces its annual results for the year ended December 31, 2018.

Commenting on the annual results, **Min-Liang Tan, CEO and Co-Founder of Razer Inc.**, said:

“2018 was another banner year for the gaming industry with esports moving into the mainstream. It was also a big year for Razer as the world’s leading lifestyle brand for gamers. With our unique integrated ecosystem of hardware, software and services, we introduced innovative and category-defining Hardware products, expanded the offering of our Software products, as well as saw phenomenal growth with our Services business.”

2018 Business highlights

In 2018, Razer continued to demonstrate robust fundamentals and strong growth trajectory as the continued scaling of its business bears fruit. The revenues reached an all-time high of US\$712.4 million, with year-on-year growth hitting a three-year high of 37.6%. Delivering on the ecosystem vision that was shared at the IPO, the Company’s Services business recorded nearly fourfold revenue increase to US\$49.6 million*, contributing approximately 7.0% and 14.0% of the Company’s revenues and gross profit, respectively. Net loss significantly narrowed by 41.0% year-on-year totalling US\$97.9 million. Given the massive opportunities in the US\$134.9 billion gaming market, Razer, as the only company that embraces PC, console and mobile with an integrated ecosystem of hardware, software and services, is well-positioned to be at the forefront of this enormous market across various fronts.

* Inclusive of Razer Gold virtual credits and Razer Pay

Hardware – 29.4% year-on-year Revenue Growth

Razer's Hardware business saw solid broad-based growth of 29.4% in revenue in 2018. Its unique ability to roll out innovative, category-defining and award-winning products puts it at the forefront of the industry. This is evidenced in the recent Consumer Electronics Show 2019 (CES 2019), the world's biggest technology event held annually in Las Vegas, where Razer garnered numerous awards, including:

- Razer Raptor – the foray into gaming monitor space as part of the Company's continued ecosystem expansion;
- Razer Turret for Xbox One – the world's first wireless keyboard and mouse collaboration with Microsoft's Xbox One, bringing game-integrated lighting and other exclusive features to the console and the living room; and
- Razer Blade 15 Advanced Model – rated as the best gaming laptop by leading critics such as Mashable and USA Today.

Peripherals

The Company sustained its leadership across the U.S., Europe and China. Buoyed by high volume growth across key categories such as console, audio, keyboard and mice, the Peripherals business continued its annual growth acceleration and delivered a record-high revenue increase in the past three years, up 26.8% year-on-year to US\$429.6 million with a gross margin of 32.0%. Gross margin is expected to continually improve in 2019 and to stabilise in the thirties, as the Company continues to extend its market share leadership across categories.

Systems

Despite the delays and subsequent shortages in chipsets which, in turn, limited the growth opportunity for the entire industry, the Systems business delivered a remarkable revenue growth of 35.7% year-on-year to US\$185.9 million. The second half of 2018 was particularly strong and the Systems business reported a 62.2% year-on-year increase in revenues with gross margins hitting 11.0%. Since the launch of the refreshed Razer Blade series in mid-May 2018, the Company made good progress in ramping up the regional presence of its Systems business outside the U.S., gaining Razer's market share in Europe and Asia Pacific. In particular, Razer did its first ever global launch of its laptop in China and made much headway in expanding its presence in the market through strategic partnerships with JD.com. Overall, the Company has laid a solid foundation for its Systems business to pursue growth opportunities as it seeks to scale up and expand in other channels outside of the U.S.

Most recently, Razer Blade 15 with the latest RTX graphics received spectacular reception with a grand slam of a 10/10 score and the Editor's Choice award by WCCFTech, as well as claimed the number 1 spot on Amazon.com as the best-selling RTX-equipped gaming laptop since its launch.

Software – 40.7% year-on-year Growth to 60 Million Users

The Company's Software business saw significant expansion with a 40.7% year-on-year increase in total registered users to approximately 60 million as of February 28, 2019. This increase was mainly driven by Razer Chroma, the award-winning, proprietary RGB lighting software, and Razer Synapse, Internet of Things (IoT) platform.

Launched in June 2018 as an initiative to bring more third-party brands to join the Razer ecosystem, the Razer Chroma Connected Devices Programme has established itself as the go-to software platform for many other hardware brands and players focused on the gamer TAM (The Addressable Market) with over 15 third-party partners such as MSI, NZXT, AMD and ZOTAC, powering over 300 devices with over 150 Razer Chroma-enabled games and applications, with Apex Legends, the massively popular title most recently added into the portfolio. Beyond gaming setups, Razer Chroma is also in discussions with Leapmotor, a Chinese electric vehicle manufacturer, to bring ambient lighting to Leapmotor's upcoming automobiles and create immersive lifestyle experiences for its users.

Razer's first-of-its-kind integration with Amazon Alexa will allow players to use voice controls on their gaming hardware. Users can speak through their Razer headsets and mics to control compatible devices. For example, Razer Chroma features in-game lighting synced with Razer mice, keyboards, headsets and other hardware that can be verbally controlled through Alexa. In a similar way, Alexa integrated with Razer Synapse IoT platform enables Razer users to control ambient Philips Hue lighting, access tens of thousands of skills and more – hands-free via mic-enabled Razer products. A unified Razer Chroma lighting experience can be achieved across third-party hardware devices, including PC cases, motherboards and cooling fans, using the Razer Chroma Connect module.

Following the spectacular market response to Razer HyperSense, Razer's pioneering drive in the integration of haptics-based technology in Razer's headsets, the Company went further and are expanding the platform by introducing an interconnected ecosystem that will deliver intelligent haptics everywhere around users – from mouse, right down to keyboard wrist rest and chair. Like Razer Chroma, Razer HyperSense offers a more distinct and immersive experience via game developer integrations which tie specific game events, audio cues and game mechanics to high-definition haptics capable of reproducing a wider variety of vibrations compared to conventional haptic devices for natural and lifelike feedback.

Services – Fourfold Revenue Increase with 14.0% Contribution to Gross Profit

The Company delivered on the ecosystem vision which laid out at the IPO with continued expansion of the Services business. In 2018, the business reported a 367.4% increase in revenue to US\$49.6 million with a gross margin of 48.0%. The business contributed approximately 14.0% to the Company's overall gross profit.

Razer Gold is one of the world's largest virtual credits platforms for games and digital entertainment. As of December 31, 2018, the platform had over 11 million wallets, representing a 175% year-on-year increase, and giving users access to over 2,500 leading game titles with over 600 publishers.

During the year, Razer reinforced its position as a partner of choice for gaming and entertainment companies seeking to further expand their presence in emerging markets. Its extensive network of over 1 million offline distribution points puts us in an unrivalled position to help those companies to monetise, especially as credit card penetration is comparatively low in the emerging economies of Southeast Asia.

The business saw significant traction as Razer brought a number of world-leading gaming titles and companies, including Nexon America and Webzen Inc. on board the Razer Gold virtual credits platform. The Company works closely with these various partners to bring to gamers a suite of exclusive and highly-customised offers, making it a truly unique way for the Company to engage with the gamer community and Razer's content partners.

Earlier this year, Razer announced its global partnership with NetEase Games to bring its virtual credit Razer Gold to NetEase Games' titles including the bestselling hit "Rules of Survival" on both the PC and mobile versions.

New Growth Initiatives

Mobile Gaming

A few years ago, the Company saw a huge potential for mobile gaming and released the Razer Phone, definitively creating a whole new category of gaming phones in the smartphone industry. Following the massive success of the first-generation Razer Phone in 2017, the Company continued pushing the boundaries and, in October 2018, launched the very definition of industry-leading gaming performance and premium flagship features – Razer Phone 2.

Given that the category has been established, the Company believes the time is right to evolve mobile gaming to the next level. Razer will be channelling its resources in investing in the area of mobile gaming software with a focus on bringing discovery immersion and entertainment, so as to propel the Company forward in reaping massive opportunities in the mobile gaming industry.

In respect of investments in mobile gaming software, the Company's initial efforts in this area have already started producing results.

The Razer Cortex Mobile saw strong response since launch in December 2018, with positive feedback from mobile gamers, strong engagement in monthly average games launched from the Recent section and strong conversion in monthly average games launched from the Featured tab. The Company was encouraged by the initial achievements it has made in its mobile software strategy, and seek to add new functionalities, grow user base and nurture user activity as it starts cultivating monetisation opportunities down the road.

Further, the Company has established partnerships with multiple leading mobile game companies and expects to announce more partners shortly.

Razer is truly excited to announce its mobile gaming collaboration with Tencent to bring the mobile gaming experience to the next level. The two companies will combine their strengths to serve the world's 2.4 billion active mobile gamers¹ by pushing the boundaries of mobile gaming hardware, software and services.

Razer believes its investments over the last few years into the mobile gaming space have laid a very strong foundation for the Company to continue to be a leading force in the market. The investments in mobile hardware have peaked in 2018 as the Company doubles down and invests in mobile gaming software and services moving forward from here.

Razer Pay – One of the Largest O2O Digital Payment Networks in Southeast Asia

Razer Pay is one of the largest O2O digital payment networks in Southeast Asia. Its online payment gateway supports over 110 payment options and is powering a list of blue-chip merchants including Lazada, Grab and Uniqlo across Southeast Asia. Razer Pay currently controls over 1 million physical acceptance points through retail outlets such as 7-Eleven and Starbucks, that offer cash over counter services (including bill payments, telecommunication reloads, etc.) as well as the distribution of third-party point of sale activation (POSA) cards.

Primarily targeted at the youth and millennials being digital natives that are early adopters and frequent users of new technology, the Company has also launched an all-encompassing Razer Pay e-wallet app that caters for a plethora of lifestyle use cases. In 2018, Razer Pay generated over US\$1.4 billion in total payment value.

In Malaysia, the Company launched its Razer Pay e-wallet app for youth and millennials in July 2018, signing up 600,000 users in the first eight days. Recently, the Company upgraded Razer Pay with major new features such as in-app coupons, instant messaging, and an enhanced e-wallet experience.

In Singapore, Razer recently rolled out the beta version of Razer Pay e-wallet which is expected to launch in full scale in the first half of 2019.

With Razer Pay in Malaysia and Singapore, the Company intends to roll out in the rest of Southeast Asia in the months to come.

THX – Leading the way in immersive digital entertainment

In addition to the exciting developments in gaming, THX, the Company's subsidiary renowned for the certification of world-class cinemas and consumer electronics, partnered with iQIYI, an innovative market-leading online entertainment service in China, and launched the first THX certified offline "Yuker" on-demand movie theatre in Zhongshan, Guangdong province. This landmark partnership emphasises the important role THX plays in an ongoing transformation of retail spaces into digital entertainment complexes.

In addition, the Company brought THX's Spatial Audio Technology into its Razer Nari Ultimate wireless gaming headset. THX's Spatial Audio Technology provides a natural and lifelike positional surround sound with all 7.1 surround sound enabled content alongside Razer HyperSense, the Company's intelligent haptics technology that engages the sense of touch to deliver a deeper immersive experience for gaming, movies and music.

Razer – The Pioneer and Leading Brand in Esports

As the esports industry continues to evolve rapidly, its revenue is expected to reach US\$1.8 billion by 2022². With an increasing demand and interest, the global esports audience is expected to grow to 645 million viewers by 2022³.

Over the years, the Razer brand has become one of the most recognised in esports thanks to its loyal user base, strong social media presence and viral marketing. In 2018, the Company continued making significant progress in further advancing its unrivalled position in esports.

As the world's leading brand in esports, Razer is proud to spearhead its development and growth. In Asia, home to half of the world's esports viewers, the 30th Southeast Asian Games 2019 (SEA Games 2019) announced that esports will be recognised as a medal sport for the first time ever in history, with Razer supporting this landmark event as the official esports partner for the SEA Games 2019.

Outlook

Esports will continue to gain traction as a mainstay of the entertainment industry. According to industry research⁴, Southeast Asia is expected to surge in growth in 2019, and with its fastest growing esports audience, it is becoming the region to watch.

The inclusion of esports as a medal event in SEA Games 2019, as well as the addition of new leagues and tournaments, will further boost esports development, with Southeast Asia becoming one of the biggest and most dedicated esports audiences in the world. And with Razer's leading brand position, content agnostic model combined with a gamer-centric ecosystem of hardware, software and services, Razer is in a prime position to benefit from this rising tide.

The start of 2019 has seen us reaffirm Razer's ongoing commitment to expand across Southeast Asia. Razer celebrated the groundbreaking of its upcoming Southeast Asia headquarters in Singapore with a ceremony graced by Singapore's Minister for Finance Mr. Heng Swee Keat. The new Southeast Asia headquarters, which will also be one of two Razer's global headquarters, is expected to be ready to move in by mid-2020 and will house more than 1,000 employees. The Company also celebrated the official opening of its new country headquarters in Malaysia, in an event graced by Malaysia's Minister for Finance Mr. Lim Guan Eng, as well as Malaysia's Minister for Youth and Sports Mr. Syed Saddiq bin Syed Abdul Rahman. This new headquarters strengthens Malaysia as the Company's regional centre of fintech innovation, esports excellence and talent development.

In terms of the Company's outlook for full year 2019, **Min** said:

"2019 looks set to be yet another exciting year for Razer. We are thrilled to see the record-smashing success of new AAA gaming titles such as the recent release Apex Legends, which will further boost the growth of the industry and the many unique collaborations the Razer platform can bring to gamers worldwide. Having achieved three-year record high revenue growth for the full year 2018, we expect to continue this strong growth trajectory at scale. We will continue to expand our high margin Services business. Improvements in gross margins on the Company level are also expected, as well as strengthening of the operating leverage, we seek to drive further improvements in our operations."

Core Segment – Profitable. Strong Growth. Predictable.

In the Hardware business, the Company expects its Peripherals business to maintain a strong revenue growth with gross margin to continually improve in 2019 and to stabilise in the thirties. The Company has already seen signs of improvements since the beginning of the year.

At the same time, the Company's Systems business is expected to maintain strong growth as the Company continues scaling up the business regionally, while improving the gross margins from 2018.

In the Software business, the Company sees early signs of success in its initiatives to further increase adoption by gamers worldwide. Razer intends to further accelerate the growth of its user base, as well as user activity in 2019 to make room for additional monetisation opportunities.

For the Services business, the Company expects that the Razer Gold virtual credits business to continue to add new content, new channels and continue to scale in 2019.

Growth Segment – New Opportunities. Investment Mode

Razer has definitively established gaming phones as a new category for smartphones. The Company believes the investments over the last few years into the mobile gaming space have laid a very strong foundation for the Company to continue to be the leading force in the market. As Razer evolves mobile gaming from the hardware to software platform, the Company believes that the investments in the mobile hardware have already peaked in 2018.

The Company expects Razer Pay will expand significantly to multiple geographies with total payment value scaling further. Razer Pay has had a strong start in 2019 with the release of an upgraded Razer Pay e-wallet in Malaysia, the limited beta launch of the Razer Pay e-wallet in Singapore and with a full public launch slated for the first half of 2019, as well as the roll-out of new exciting payment partnerships.

^{1,2,3&4} Newzoo

For other detailed disclosure, please refer to the Razer website investor.razer.com, or follow the Company via its WeChat Official Account by scanning the following QR code:



About Razer

Razer™ is the world's leading lifestyle brand for gamers.

The triple-headed snake trademark of Razer is one of the most recognized logos in the global gaming and esports communities. With a fan base that spans every continent, Razer has designed and built the world's largest gamer-focused ecosystem of hardware, software and services.

Razer's award-winning hardware includes high-performance gaming peripherals, Blade gaming laptops and the acclaimed Razer Phone.

Razer's software platform, with approximately 60 million users, includes Razer Synapse (an Internet of Things platform), Razer Chroma (a proprietary RGB lighting technology system), and Razer Cortex (a game optimizer and launcher).

In services, Razer Gold is one of the world's largest virtual credit services for gamers, and Razer Pay is the e-wallet designed for youth and millennials.

Founded in 2005 and dual-headquartered in San Francisco and Singapore, Razer has 15 offices worldwide and is recognized as the leading brand for gamers in the USA, Europe and China. Razer is listed on the Hong Kong Stock Exchange (Stock Code: 1337).

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Forward-Looking Statements

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Razer - For Gamers. By Gamers.™

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