



Razer Announces Interim Results 2018

***Strong Revenue Growth, Expansion of Gross Profits and Gross Margin
Improving Loss Position, Proved Out High-Margin Services Model***

A Choice Partner for Chinese Companies Seeking to Broaden Their Footprint in Southeast Asia

- Revenues grew 38.5% year-on-year to US\$274.2 million
- Gross profit grew 45.9% year-on-year to US\$79.5 million
- Gross margin expanded 150bps year-on-year to 29.0%
- Loss from operations improved 4.3% year-on-year to US\$53.6 million
- Proved out high-margin Services model with revenues of approximately US\$27 million in first 12 months of operations
- Razer Services platform has been recognised as a choice monetisation partner for Chinese gaming, content and live-streaming companies such as YY-backed BIGO LIVE to expand their business in Southeast Asia

(Hong Kong, 30 August 2018) - Razer™ (“Razer” or the “Company”, HKEX stock code: 1337), the leading global lifestyle brand for gamers, today announces its interim results for the six months ended 30 June 2018.

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

“We continue to execute to plan as communicated during our initial public offering in 2017, demonstrating strong business fundamentals and delivering a solid set of results for the first half of 2018. In particular, we proved out our Services model with revenues of approximately US\$27 million in first 12 months of operations. In recent times, we have also become a choice monetisation partner for Chinese gaming, content and live-streaming companies such as YY-backed BIGO LIVE to expand their business in Southeast Asia.”

First Half of 2018: Strong Revenue Growth, Expansion of Gross Profits and Gross Margin, Improving Loss Position

The Group delivered an impressive year-on-year revenue growth of 38.5%, with revenue rising to US\$274.2 million for the first half of 2018. Gross profit grew 45.9% year-on-year to US\$79.5 million and gross margin expanded to 29.0% from 27.5%. The loss from operations improved 4.3% on a year-on-year basis to US\$53.6 million.

Hardware: Solid 30.6%¹Growth Year-On-Year

The Group’s hardware business saw solid growth across all geographies buoyed by the success of PC games like Fortnite and PUBG.

Razer remained a clear leader in the gaming peripherals space in the U.S., Europe and China. The business grew by 32.8% year-on-year to US\$176.0 million in revenues, with a sustained industry-leading gross margin of 35.4%, driven by the strong performance of refreshes to its flagship products and the introduction of new products, bringing high-volume growth in all its key categories – Audio, Mice and Keyboards.

Even as the Group continues to invest in its Systems business for a robust second half of 2018, it recorded revenue growth of 3.9% year-on-year to US\$64.7 million despite the lack of a graphics chip refresh which is generally the driver of gaming laptop sales.

The Group did its first global launch of the new 15.6” Razer Blade laptop in China in late May 2018, which attracted highly positive reviews from various leading critics such as receiving the highest-ever rating issued by IGN for any gaming laptop. The Group also expanded the availability of its laptops outside of North America, and as part of its

¹ Including Peripherals, Systems and Mobile

China strategy, the Group entered into a strategic partnership with JD.com to distribute its laptops in China. The success of the new Blade launch has propelled Razer to be the one of the fastest-growing gaming system brands in China. Razer expects Systems to see strong year-on-year growth in the second half of 2018 as the Group ramps up shipping of the new Blades globally, extending into new markets outside the U.S. such as Europe and China.

Software: 42.9% Year-On-Year Growth To Over 50 Million Users

Razer has continued to grow and made significant progress in its Software platform in the first half of 2018. As of 30 June 2018, the Group has more than 50 million² total registered users, representing a 42.9% year-on-year growth from 35 million as of 30 June 2017, driven by the increase in new users from Razer Synapse, IoT platform, and Razer Chroma, its award-winning proprietary software. Razer Chroma is the world's only immersive lighting platform, with over a hundred natively-integrated games including Overwatch, Fortnite, Quake Champions and Diablo.

In June 2018, Razer announced that it will further proliferate the availability of Razer Chroma, allowing non-Razer hardware users to also be part of the Razer ecosystem. The Razer Chroma Connected Devices Program will enable partners like MSI, NZXT, AMD, Thermaltake, Lian Li, Vertagear, Gigabyte, and Ducky to tap into Razer's lighting protocol.

Services: Proved out High-Margin Services Model with Approximately US\$27 Million in First 12 Months of Operations

Having marked the first anniversary of Razer's efforts in monetising its hardware and software platform through services, the Group's Services business for the first half of 2018 raked in US\$17.0 million of revenue with a gross margin of 63.4%. For the first 12 months of operations, the Services business netted approximately US\$27 million in revenues.

Virtual Credits: Razer zGold

In May 2018, Razer completed the full acquisition of MOL Global, the leading virtual credits platform and e-payment network in Southeast Asia, which, in combination with the Group's existing zGold virtual credits for games, has cemented Razer's leading position as one of the world's largest virtual credits for games and entertainment with over 10 million³ wallets as of 30 June 2018, representing a year-on-year growth of 376.2% from 2.1 million, and giving users access to over 2,500 leading game titles.

Razer Game Store

In April 2018, Razer also successfully launched its other service, Razer Game Store, a digital game store where gamers find the best value for their PC and Mac game content from top publishers such as Ubisoft, Bandai Namco, Deep Silver, and many more. It offers over 2,000 games from over 200 publishers. In addition, the Group announced that for Southeast Asia, Razer Game Store powers exclusively the digital game catalogue for the e-commerce giant, Lazada.

Razer Pay

Razer completed the full acquisition of MOL Global in May 2018 and in line with that, the Group has also launched its Payments business under Razer Pay. Razer Pay is now one of the largest offline-to-online digital payments networks in Southeast Asia, with over 1 million physical acceptance points through retail outlets such as 7-Eleven and Starbucks across Southeast Asia. Razer is a leading payment processing gateway for companies such as Lazada, Grab and Uniqlo, handling over US\$728 million in total payment value in the first half of 2018 (US\$1.1 billion in for the year ended December, 2017).

The Razer Pay e-wallet was successfully launched in Malaysia on 4 July and received a resounding response, with over 600,000 sign-ups and 300,000 transactions recorded in the first eight days, enabling the app to top both the Google Play Store and the iOS App Store. Over 6,000 major retail and F&B outlets accept Razer Pay, including 7-Eleven, Starbucks, Singer, Cosway, Greyhound Café, Wendy's, Kenny Rogers and Krispy Kreme. Riding on the success of its launch in Malaysia, Razer is currently in preparations to roll out the Razer Pay e-wallet in other key Southeast Asian countries such as Singapore and the Philippines in the coming months.

Others

Regarding the Others business, which includes the Group's next-generation products, saw a 432.3% year-on-year growth to US\$16.5 million in revenues, primarily due to the contribution of Razer Phone sales. With the successful launch of the Razer Phone in late 2017, Razer has since been widely recognised as the industry forerunner with the foresight of recognising the unmet demand for and being the first-mover to launch a mobile device for gamers, spawning a whole new category for the industry. The Group is very pleased with the success of its first generation Razer Phone, which was released in a limited run and has garnered very positive reviews internationally. Razer is now focusing its resources into the development of the second generation Razer Phone and accompanying software releases which will extend its software and services from PC into the mobile market.

² Inclusive of 5.3 million total registered users gained as a result of the full integration with MOL Global

³ Inclusive of 5.3 million wallets gained as a result of the full integration with MOL Global

A Choice Partner for Companies Seeking to Broaden Their Footprint in Southeast Asia

The zGold virtual credits platform has been recognised as a choice partner for gaming and content companies seeking to further monetise their games and contents in emerging markets.

This has been timely as Chinese media companies have been seeking to expand their footprint outside of China, and in line with the “One Belt One Road” initiative, emerging markets such as Southeast Asia are their first stop.

In recent months, in addition to helping game companies monetise, the Group added more live-streaming platforms including the YY-backed BIGO LIVE, with total registered users of more than 200 million⁴. Moreover, the Group expected to see more Chinese game and digital media companies in the pipeline as they seek to expand their presence in the fast-growing Southeast Asia market.

Strategic Partnerships

Singtel Group

In April 2018, the Group announced a strategic collaboration with Singtel Group across the high growth areas of e-payments, esports and gaming-related digital media and telecommunication services across Southeast Asia. As Asia’s leading communications group and the world’s leading lifestyle brand for gamers respectively, the Singtel Group and Razer will leverage each other’s strengths and capabilities to engage the region’s consumers and audiences. The Singtel Group, which includes wholly-owned subsidiary Optus and regional associates Airtel, AIS, Globe and Telkomsel, has a combined reach of over 680 million mobile customers across the region.

In particular, for e-payments, subject to regulatory approvals, the Singtel Group and Razer plan to enable the interoperability of their respective e-payments systems to create a seamlessly integrated regional network. The interoperability of both networks will create one of the largest connected e-payment networks in Southeast Asia. Mobile wallet users of Singtel and its regional associates will be able to seamlessly access Razer’s e-payment merchant network of over a million payment points, the zGold virtual credits, and Razer’s full suite of gamer-related digital services, which has more than 50 million registered users. At the same time, Razer will deepen its penetration in Southeast Asian countries by adding Singtel Group’s more than 1 million merchant points across Asia to its network, as well as gain access to their reach of over 680 million mobile customers.

JD.com

In May 2018, Razer also announced a strategic partnership with JD.com, China’s leading e-commerce platform. The strategic partnership is focused on scaling out Razer’s debut of gaming laptops in China as well as a long term plan to cultivate esports opportunities in China.

iDreamSky

In August 2018, the Group made further progress in China and announced a strategic partnership with digital entertainment platform iDreamSky. As part of the collaboration, Razer will work closely with iDreamSky’s Tencent Video-Great Moments Voyage by enhancing esports experience with its leading esports peripherals. Great Moments Voyage is a strategic business of iDreamSky, with a core business of movie-on-demand and simultaneous movie releases, along with gaming, live-streaming with F&B facilities for post-90s and millennials.

Outlook

Razer is on track to deliver an even stronger revenue growth in the second half of 2018.

For the Hardware business, the Group expects Peripherals to maintain a strong and profitable growth. The Group also expects that its Systems business will deliver a strong second half and see improvements in the profit profile, driven by economies of scale as contributions from new products and regional expansions into Europe and Asia kick in.

The Group expects to continue its investments in driving the Mobile business to take advantage of the enormous opportunities inherent in mobile gaming and esports.

For Software, Razer intends to further proliferate its products and software to expand its user base and drive user engagement. Leveraging the power of big data analytics, this will make room for additional monetisation opportunities in the Group’s Hardware and Services businesses. For the Services business, the first half of 2018 saw the proving out of the monetisation of the hardware/software platform of Razer with services. This is a unique ecosystem model and the Group expects the virtual credits business to continue growing, and, as a result of its high gross margin, contribute significantly to its profits over time. In addition, the Group expects to see the new services such as Razer Game Store and Razer Pay to grow alongside and build on top of the platform.

In line with its guidance earlier this year, Razer expects the Services business’ gross margin to normalise, but at a higher level than its Hardware business. In terms of overall gross margin, as the Systems business and new categories

⁴ Source: BIGO LIVE, as of Mar 2018

such as Mobile expand their proportion of the overall business, the Group expects that the overall gross margin may be lower when compared with that of 2017. However, this will be moderated in part by the growth of its Peripherals and Services businesses which have much higher margins. More importantly, as the profit profile and gross margin of each of its business segments continue to improve, and hence the overall scale of gross profit, the Group expects to see the benefits from operating leverage across the Group.

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, the company 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 over 50 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).

Razer services include Razer zGold, one of the world's largest virtual credit services for gamers, which allows gamers to purchase virtual goods and items from over 2,500 different games.

Founded in 2005 and dual-headquartered in San Francisco and Singapore, Razer has 14 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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