



CORSAIR

EQUITY REPORT

INVESTMENT SUMMARY

RECOMMENDATION	BUY
Date	30-03-2022
Current Price	\$22.22
Target Price	\$28.80
Upside	29.63%
Industry	Computer Hardware
Sector	Gaming
Ticker	CRSR.O
Stock Exchange	NASDAQ Global
Shares Outstanding	100m
Market Capitalization	\$2.106bn
EPS (2021)	\$1.01
Free Float	37.77m

Leaders Lead

Corsair is a leading global provider and innovator of high-performance gear for gamers and content creators. With market leadership in High-end Gaming Peripherals, a loyal and fast-growing customer base and improving margin drivers in the long-term, we believe Corsair represents a valuable investment opportunity.

Corsair has great growth prospects and can extract value from its main revenue source and with the best margins

The company has been able to successfully extract value from both its segments, focusing a bigger share of its revenue in its higher-margin segment, Gaming Peripherals. In line with the company's historical progress and our forecasts, we expect Corsair to further improve its margins (**Figure I1**) and provide increasing cash-flows.

Our forecasts for the company yield a **29.63% upside in our Discounted Cash-Flow Analysis**, while being firm under sensitivity analysis and with a very conservative bear case. The company is also undervalued relative to its sector, as shown by our Relative Valuation, displaying its upside potential.

Loyal customer base in a fast-growing market, industry top-of-mind awareness

The gaming and creator peripherals market is currently worth over \$4.02 billion dollars. This fast-growing market provides a constant opportunity space due to the continuous technological advancement taking place, added to booming constant consumer demand for new products and increase in upstream activities, such as Streaming, Esports and YouTube. Corsair is currently one of the top market leaders while dominating many niches (**Figure I2**), while ready to take advantage of the opportunities being presented that come with operating in an evolving market.

In terms of brand awareness, Corsair has reached a recognized position as a brand with quality products and fair prices, allowing the company to withstand the life-as-usual return and work-from-home downtrend, which considering a **34% EV/EBITDA discount relative to its peers** showcases its potential for higher valuations in a five-year investment horizon.

Market leader in many sub-categories and has a positive mix of organic and inorganic growth strategies (Innovation + M&A)

Even despite supply chain issues, the company has managed to improve its days payable and receivable, showcasing an increase in bargaining power as a market leader.

Corsair has successfully been able to sustain a competitive advantage thanks to their constant innovation, added to a solid M&A policy, dominating market niches with acquisitions such as Elgato and Origin PC. Such a prowess within the industry manifests itself within our Net Working Capital projections and **providing a pathway to stand as a leader during and after supply chain problems.**

Figure I1 – Evolution of Margins and Revenues

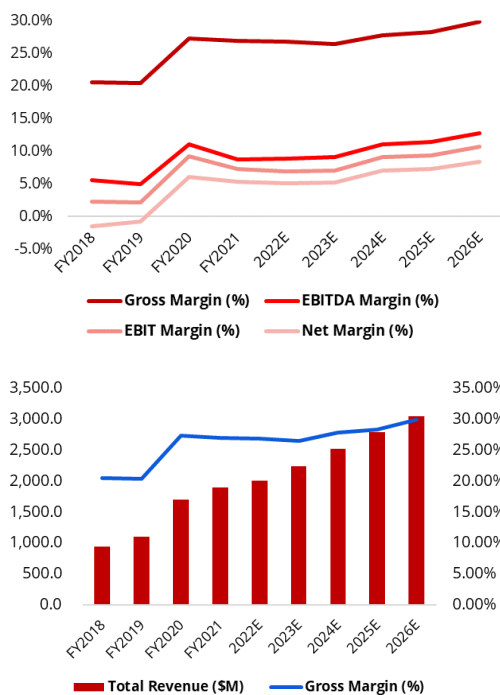


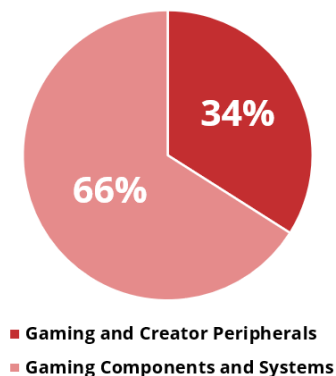
Figure I2 – Corsair's Market Position in Peripheral and Components

Peripheral/Component	Rank #
Keyboards	1st
Mice	3rd
Headsets	4th
Streaming Gear	2nd
Performance Controllers	2nd
High-Performance Memory	1st
PC Cases	1st
Power Supply Units	1st

Source: Company Report

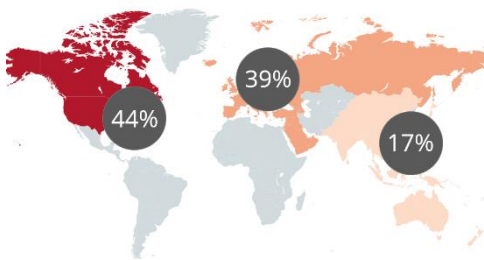
BUSINESS DESCRIPTION

Figure 1 – Corsair’s Revenue Division by Segment (in %)



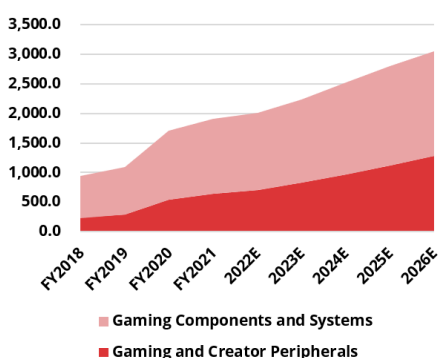
Source: Company Report

Figure 2 – Corsair’s Revenue Division by Region (in %)



Source: Company Report

Figure 3 – Corsair’s Revenue Projections by Segment (in \$Millions)



Source: Company Report

Corsair **was founded in 1994** by Don Lieberman, Andy Paul, and John Beekley. The company went public on September 23, 2020 and **was able to raise \$238 million at a valuation of 1.6 billion**. Corsair initially developed a Level 2 cache module for OEMs called COAST (Cache on a Stick) module when they started out. However, once Intel incorporated the L2 cache into the processor with the release of the Pentium Pro processor family, Corsair decided to shift its focus from L2 cache to DRAM modules in the server market. In 2002, Corsair began shipping DRAM modules with the aim of **appealing to computer enthusiasts** who used them for overclocking. After that, Corsair has continued adding other PC components and manufacturing memory modules for PCs.

Corsair's production of DRAM memory modules has allowed for a high-performance platform and the ability to derive more performance from RAM and CPU.

Corsair currently **continues to expand its product line** to include high-end and more up to date products in the fast-growing and innovative gaming industry.

Business Segments

The two main segments Corsair operates in are **Gaming and Creator peripherals** and the **Components and Systems** segment (Figure 1).

The gaming and creator peripherals market is currently worth over \$4.02 billion dollars. This segment consists of gaming products and supplementary products for the computer with the aim of enhancing the user's gaming experience. Products include things such as **high-performance gaming keyboards, headsets, gamepads, microphones, controllers**, in addition to streaming gear like capture cards, cameras, and studio accessories. As for Corsair, it is mostly represented in the American market, representing 44% of its revenues, followed by EMEA (39%) and APAC (17%) (Figure 2).

This segment is mainly driven by gaming enthusiasts as consumers. As of recently, the segment has seen a **bullish boom over the past decade with the ever-growing demand for E-sports and virtual games** which are contributing to the development of more immersive and realistic gaming experiences with the use of peripheral devices.

In the gaming component and systems segment, products that Corsair offers include computer cases, power supply units (PSUs), custom/prebuilt gaming personal computers, and cooling systems.

Business Strategy

With regards to Corsair's Business Strategy, it is focused by and large on niche markets **dominating most of them either in market share and ASP premiums collected**; therefore, it is employing a Focused Differentiation Strategy with no future plans, according to management of switching gears or tinkering around their business model. Guidance was made regarding expansion via M&A into less explored business lines namely, content creation and PC builds which should offer great upselling and cross selling opportunities whilst increasing margins.

Figure 4 – Mergers & Acquisitions of

Company	Location	Date
Scuf Gaming	Suwanee	2019
Elgato	Munich	2018
iDisplay	Taipei	2022
Gamer Sensei	Boston	2020
Origin PC	Miami	2019
Visuals by Impulse	Portland	2021

Source: Reuters

Mergers & Acquisitions

Corsair has a recent history of significant M&A Activity, having acquired six companies in the past four years, the most significant being Elgato, a Germany-based streaming equipment company. Corsair’s strategy is based on acquiring the best companies in each niche, creating an ecosystem of mini-market leaders supplying Corsair with a sustained competitive advantage. The most recent acquisition was of iDisplay, a Taiwan-Based industry-leader in electronic product design and development, specializing in display related products (**Figure 4**).

ENVIRONMENTAL, SOCIAL & GOVERNANCE

Figure 5 – ESG Overall Score

	2020
ESG Combined Score	D
ESG Score (Weight 100.0%)	D
Environmental Pillar Score (Weight 23.0%)	D-
Social Pillar Score (Weight 49.3%)	D
Governance Pillar Score (Weight 27.6%)	D
ESG Controversies Score	A+

Source: Reuters

Environmental

In terms of environmental responsibility, Corsair is aware of their impacts and actively looks for ways to minimize the adverse effects on the environment, including natural resources within their manufacturing operations. Currently, the company’s main factory **operates under the ISO 14001 certification**, which is an international standard that specifies requirements for environmental management system. With that, they commit to paying attention to their waste management, emission, pollution, and resource consumption.

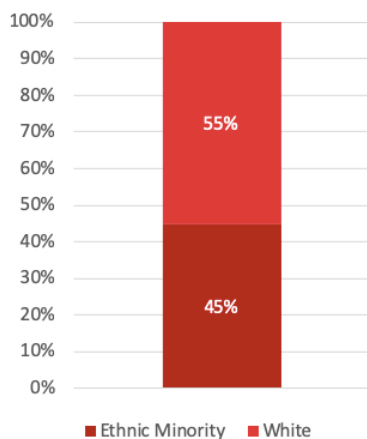
An example of how Corsair actively attempts to be environmentally aware includes them recognizing that their product packaging can harm the environment, therefore **they are developing carbon neutral packaging**, using more recycled and recyclable materials to reduce the negative impacts of their current packaging. Another example of this is them recognizing that their air conditioning is not efficient, leading to electricity waste. To combat this, Corsair installed high-efficiency air conditioning at the corporate offices to lessen this use of electric power while keeping an efficient temperature

Social

One Corsair’s core mission as stated on its website is to “empower people, remove barriers, and change lives for the better.” They also believe that this mission “extends beyond the products (they) make to the communities we live and work in. Everyone deserves to feel safe, supported, and free to live their truth. (they) are working together to help give those around us a chance at a brighter future.”

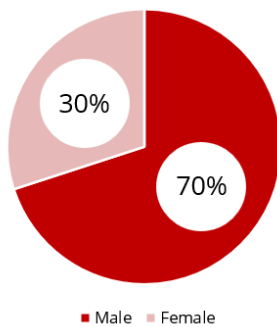
With that said, the company fulfils this mission by **partnering up with several non-profit organizations such as Make a Wish, Adopt A Family, and Save The Children**. One example of how Corsair supports these organizations is seen when they did a special fundraising live stream and were able to raise two times the initial goal to benefit Save The Children. Also, Corsair actively helps fund social justice programs such as Women in Gaming, Black Lives Matter, and Stop Asian Hate with the aim of promoting more diversity and inclusion within modern-day society. Lastly, the company continuously aims to be involved with the community. Examples include providing their headphones to underprivileged students, giving out electronics to schools in Taiwan, and teaching university students the process of putting a PC together.

Figure 6 – Diversity Distribution at the Workplace



Source: Reuters

Figure 7 – Gender Distribution at Corsair’s Board



Source: Company Report

Governance

Co-Founder as CEO

Corsair benefits from having one of its original co-founders, Andrew Paul, as CEO. Holding an honours degree in Physics and with a background in sales, marketing and engineering at semiconductor companies, Andrew Paul adds experience in both the business and technical side to the incentives that a co-founder would have, as well being the third largest shareholder in the company with a 2.82% ownership.

Board

Corsair’s Board is composed of 10 members, with a diverse array of education and backgrounds, with Economics and Law being the most represented. Yet, the CEO and COO have more technical backgrounds, Physics and Electrical Engineering, respectively. The Board benefits from having many tech companies, mainly Hewlett-Packard and Chip/Semiconductors, as previous companies.

The other main point is that EagleTree Capital, as Corsair’s main shareholder, has appointed three Board members, George L. Majoros Jr., Anup Bagaria and Stuart A. Martin, as well as Randall J. Weisenberger having a past at EagleTree’s predecessor, Wasserstein Perella. There are significant risks in having 30% of the board as non-independent members.

The Board is also 30% composed by women, defining a positive fact considering the industry where Corsair is at (**Figure 7**).

Figure 8 – Top 20 Shareholders

Rank	Investor Name	% O/S
1	EagleTree Capital, LP	57.43%
2	The Vanguard Group, Inc.	3.48%
3	Paul (Andrew J.)	2.84%
4	BlackRock Institutional Trust Company, N.A.	1.77%
5	Signaturefd, LLC	0.82%
6	Sculptor Capital Management, Inc	0.71%
7	Anima SGR S.p.A.	0.65%
8	Geode Capital Management, L.L.C.	0.61%
9	State Street Global Advisors (US)	0.53%
10	National Bank of Canada	0.51%
11	BofA Global Research (US)	0.49%
12	Morgan Stanley & Co. LLC	0.46%
13	Goldman Sachs & Company, Inc.	0.43%
14	Citadel Advisors LLC	0.34%
15	Peak 6 Capital Management, LLC	0.29%
16	Northern Trust Investments, Inc.	0.28%
17	Charles Schwab Investment Management, Inc	0.23%
18	La (Thi Le)	0.19%
19	PGGM Vermogensbeheer B.V.	0.18%
20	Mirae Asset Global Investments (USA) LLC	0.16%

Source: Company Report

Executive Management

Corsair has 6 executives, of which 2 are also represented at the Board, Andrew J. Paul and Thi La. The **average executive has 8.5 years of experience** in the company, with the CEO having 28 years (since the beginning) and Michael Potter having 9 years at Corsair. Some of the main companies where the executives were previously at are Hewlett-Packard, Canadian Solar, Harmonic and NASA.

Compensation

Regarding publicly available data about Compensation, the average board member has a total compensation of just over **\$1.5M per year**, with a division of 31% for salaries and 69% for bonuses. The largest compensation goes to Andrew Paul (CEO), receiving \$2.8M last year and Bertrand Chevallier, the Chief Sales Officer, earning \$1.3M.

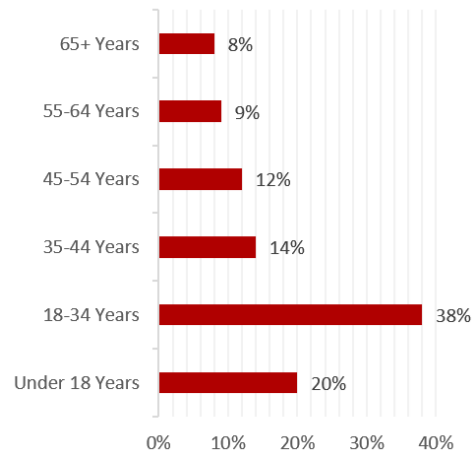
Ownership

The most obvious point the jumps to sight in the ownership of Corsair is that EagleTree Capital is by far the biggest shareholder of the company (**Figure 8**), with the risks and benefits it may carry. Such an ownership is represented with the three positions in the board. After EagleTree, Vanguard is the most represent investor (institutional). As for relevant individual holdings, we can denote that the CEO owns 2.84% of the shares and the President/COO owns 0.19% of the company.

There are some worrying signs regarding **EagleTree’s ownership**, since the fund largely reduced its position, selling 7.72M shares, largely encompassing the other nine largest shareholders’ inflows.

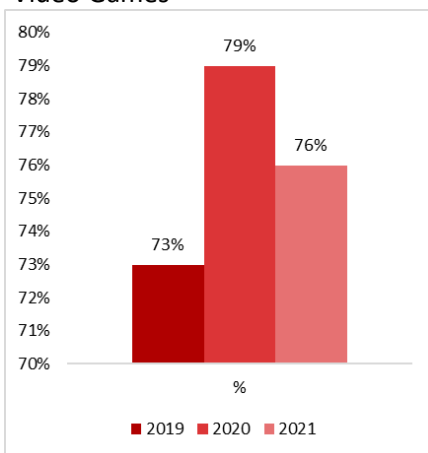
INDUSTRY OUTLOOK

Figure 9 - Gamer Distribution by Age



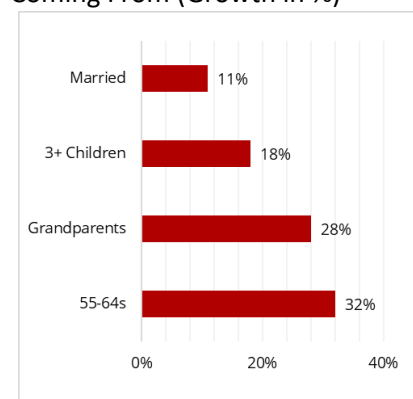
Source: Statista

Figure 10 - % of Americans Playing Video Games



Source: NPD Group

Figure 11 - Where New Gamers are Coming From (Growth in %)



Source: GWI – Gaming Playbook

Demand Drivers

Increasing gaming popularity

Gaming has always been a popular hobby among children and young adults, yet recently it has also penetrated other demographic section. **In 2020 we can notice a large increase in the gaming population of older generation, married couples as adults are gamers (Figure 9).** As they get older the habits are likely to stick.

Gamers getting older is also the main fuel for the growth of the gaming sector due to their increasing purchasing power. As they get older, they tend to spend more on the games, consoles, gear, and micro transaction even if overall they are playing less time. Due to these factors, global gaming market size is expected to reach USD 545.98 billion by 2028 while exhibiting a CAGR of 13.20% between 2021 and 2028.

Recent pandemic has also increased the amount of time gamers spend playing, with average time per week increasing 16.5% in 2020 and 10% in 2021 (**Figure 10**). In addition, Entertainment Software Association (ESA) created a study to understand the behaviour of people who began gaming during the pandemic. The study showed that out of all people polled, **90% have said that they would likely continue playing video games as we slowly return to normal.**

Thus, while most of the growth is likely to come from younger population for now, as mentioned before, **in the future this will create a cascading effect**, where the gaming population will get older on average, increasing the revenues of the industry.

PC gaming more alive than ever

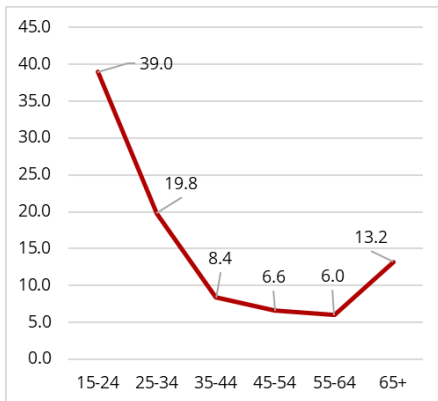
While many argued that PC gaming was declining and soon would become obsolete, the pandemic seems to have reversed completely and permanently this trend. According to Research Dive, the global gaming computer market size is projected to reach \$145.93 billion by 2030, registering a CAGR of 15.3% (Figure 14). Advanced features like facial recognition, games with high graphic fidelity, and gesture-based gaming in PCs will contribute to the growth of the sub-segment in the market, specifically the custom-built gaming PCs with specifications like high-end processor, liquid cooling, and graphics processing, **putting Corsair at a prime position to benefit from this demand.**

Rise of popularity of eSports (**Appendix 2**) and more disposable income are some of the main drivers of the PC resurrection. The market for gaming PCs is divided in 3 segments, low, mid, and premium with low and mid having the biggest growth potential.

Supply Shortages and Future of PC Gaming

Pre-built PCs had a spectacular year in 2021. This was mainly due to GPU and CPU shortages caused by pandemic and acceleration of crypto mining with the later reaching 25% of all GPU consumption. This led people to opt for a pre-built PCs since the manufacturers of those had direct link to the manufacturers of GPUs and other components and thus avoiding the shortages and the secondary market price hikes. **This benefited greatly the sales of Origin PC's, and yet future growth is not likely to be as spectacular.**

Figure 12 - Time spent playing by age groups (in Minutes)



Source: Statista

One **other important catalyst that is indirectly attached to Corsair's business are major developments by hardware companies such as NVIDIA, Intel and AMD that invest in the next-generation CPU's** in order to keep up pace with the next gaming graphics known as "photorealistic games". For example, Unreal Engine 5 is the most recent developments in latter and showed how the future of gaming will look like. With new cutting-edge technology the gaming industry will grow unprecedentedly, attracting new customers worldwide which will then seek out gaming components to match their gaming experience. Corsair can then seize a great number of new gamers with their high-end products, ranging from their keyboards all the way to their PC cooling systems matching customer needs.

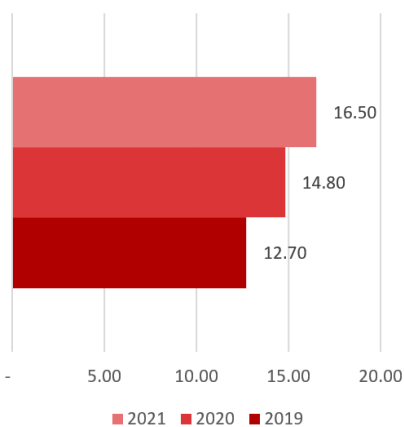
Gaming Peripherals are on the rise

Looking at the consumer tastes and behaviour (Figure 15), **almost 25% of PC and Console players have considered purchasing a gaming chair, keyboard, mouse, or a headset.** With increasing growth in popularity of gaming as a mainstream entertainment, fuelled in part by eSports, previously mentioned growth in spending due to younger generations entering their adulthood as well as augmented and virtual reality becoming more accessible, this market is in prime position to register above average growth for the foreseeable future.

According to Research Drive, global gaming peripherals market is expected to reach a revenue of \$10,9 billion by 2028, growing at a CAGR of 10.5% from 2021, while the total consumer spending on PC gaming hardware and accessories, according to The NPD Group, reached \$5.74 billion in 2021, increasing 25% YoY, following a 62% revenue increase in the pandemic 2020.

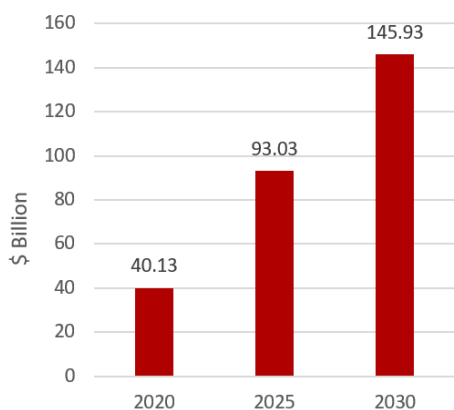
While in 2022 PC gaming hardware and accessories are expected to decline by 4%, resulting from tremendously high volumes of sales the year prior, the overall market trend is still very positive. With the PC resurgence mentioned above, gaming PC accessories are also going to be on the rise. According to Eedar (Figure 16), **around 40% of PC gamers have gaming mouse and headset and around 30% have a gaming keyboard.** While these statistics are outdated, they show that with increase Headsets, where Corsair has made great leaps, are anticipated to be one of the highest growing sub-sectors, with projected revenues of \$3,5 billion in 2028, great strategic choice.

Figure 13 - Average hours played per week



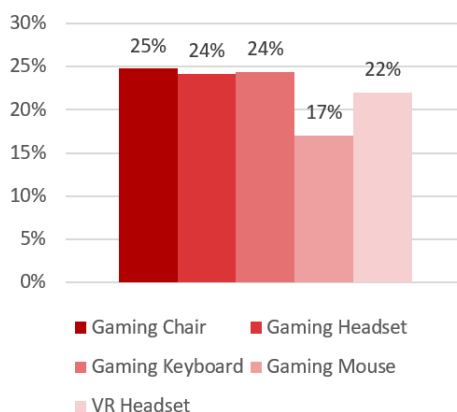
Source: NPD Group

Figure 14 - Global Gaming Computer Market Size



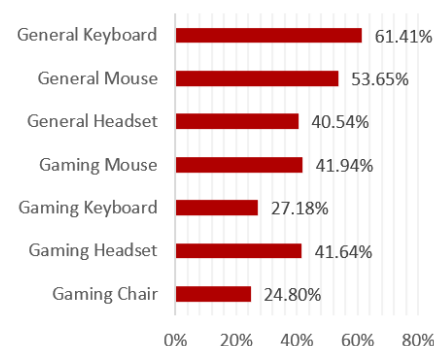
Source: Research Dive

Figure 15 - # of Gamers Considering Purchasing These Devices (in %)



Source: GWI – Gaming Playbook

Figure 16 - Peripheral Usage During PC Gaming (in %)



Source: EEDAR

Supply Drivers

Figure 17 - Annual average money spent on PC gear per segment



Source: Company Report

Cloud and Gaming Without Hardware

While Sony and Microsoft have recently released their latest consoles, it seems to be obvious that they may be the last generation of hardware to be on the market. With introduction of 5G, **cloud gaming seems to be more of a possibility and less of a dystopian dream than ever**. While not an immediate danger to the hardware devices, the future seems to be hardware-less and thus placing companies like Corsair at a peculiar situation. While PC gaming is not likely to suffer as much as console gaming, the **supply of new technology is sure to disrupt many submarkets within gaming niche, adding additional risk to already significant risk of high reliance on DRAM sales**.

On the other hand, the recent mania with meta realities as well as augmented and virtual realities seems to be also the next major disruptor of video game industry. Both Sony and Microsoft seem to be pushing this technology forward, and while it might look to be a small subniche within a larger market, new and cheaper technology can easily disrupt the demand and supply of gaming accessories.

Supply Chain Shortages

There are considerable risks in terms of supply chain disruptions, considering port closures in China, lack of raw materials and transportation times, which may result in less deliveries and thinner margins. Adding to this, **the Taiwan/China situation provides a significant risk of disruption for Corsair, since the company produces its DRAM components in Taiwan, responsible for 32% of the revenues**, as well as the whole semiconductor industry having its main location there. (See **Investment Risks, P1 and B1**).

Figure 18 – Sustainable and Temporary Advantage and Competitive Parity

Sustainable Competitive Advantage
1. Long track record of Leadership and Management expertise
2. Customer Awareness and Loyalty
3. Strategic Partnerships

Temporary Competitive Advantage
Sales Force and Channel Management

Competitive Parity
Product and Brand Synergies among Various Product Lines

Source: Team Analyses

Competition

The business in which Corsair is inserted is extremely competitive. Every player is always very aware of others moves inside the industry. The products are the same and there isn't much innovation in a sense. The main competitors are **Razer, Logitech, and Turtle Beach**.

Corsair's competitive advantages (**Figure 18**) are hard to identify, however with a thorough analysis **horizontal integration is their primary advantage**. Their strategy relies much on tactical acquisitions that will boost their businesses, for example Elgato and OriginPC.

The **increasing number of PC gamers interested in building their own PC**, by customizing the individual parts of the latter seems to be driving customers to the direct channels. This mainly happened due to recent acquisitions such as OriginPC and SCUF. If this trend continues and if Corsair turns its attention more into this market, we could see increasing gross margins and a reduction of distribution costs.

Corsair's clients are divided in three segments: Committed; Competitive and Casual gamers. According to company report (Figure 17), **committed gamers are expected to be Corsair's main division** since it's the one that presents the greatest opportunity in terms of revenues. In estimate there are 524 million PC gamers worldwide, 27 million of the latter spent over \$1800 on their gaming PC systems representing \$18B of the global gaming PC market. **The demand for high-end quality products that enhance the gaming experience keeps expanding**.

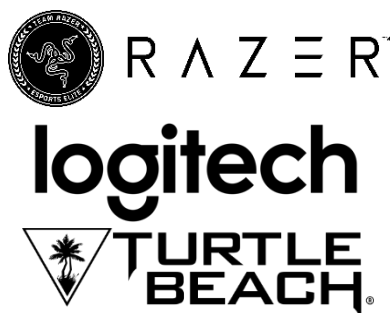
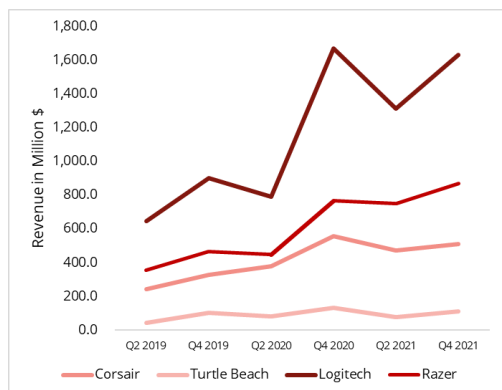


Figure 19 – Peer Revenue Comparison
(in \$Millions)



Main Competitors

Razer

Razer (Inc) is a hardware company that designs and manufactures hardware peripherals and gaming software. **Their brand awareness is very high and their products are of high quality.** Razer positions itself as a premium brand of hardware components. Their present strategy is to leverage their loyal custom base and dominant position with their core category products (mouses, keyboards, headsets, etc).

Logitech

Logitech is a company that has reinvented themselves in recent years and successfully prevailed in the market as a strong competitor. They offer a vast variety of hardware components with high quality. **Logitech is today a multi-brand, multi-category company designing products that enable better experiences in gaming, computing, video and music where it is on a computer, mobile device or in the cloud.** Their present business strategy is based on 4 key-pillars that will lay the foundations for future growth: Design, Engineering, Go-to Market, Marketing and Operations.

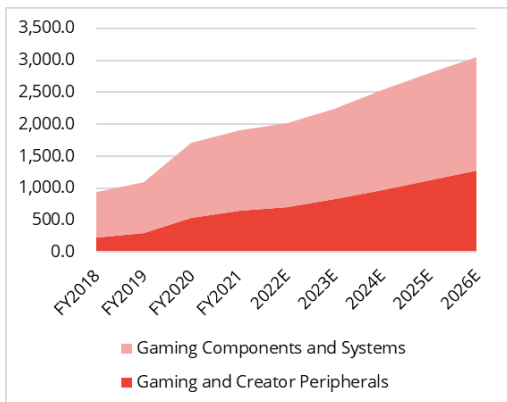
Turtle Beach

Turtle Beach has been in the market for over 45 years and has focused only in few products segments like mouses, keyboard and audio being their main segment. Unlike the Razer and Logitech Turtle Beach only competes against Corsair only in some product segments. **Their present strategy is to enhance brand awareness, which has been very weak in the last years.** They also aim expanding their product lines and tap into new markets

FINANCIAL ANALYSIS

Key Financials	FY2018	FY2019	FY2020	FY2021	2022E	2023E	2024E	2025E	2026E
Revenues (\$M)	937.6	1097.2	1702.4	1904.1	2012.6	2237.1	2526.9	2797.2	3054.6
Earnings (\$M)	-13.7	-8.4	103.2	101	102.7	117.2	176.7	202.9	256.7
EPS (\$)	-0.15	-0.09	1.14	1.01	1.03	1.17	1.77	2.03	2.57
DPS (\$)	0	0	0	0	0	0	0	0	0
Profitability									
Gross Margin (%)	20.6%	20.4%	27.3%	27.0%	26.8%	26.5%	27.8%	28.3%	30.0%
EBITDA Margin (%)	5.6%	5.0%	11.1%	8.8%	8.9%	9.1%	11.1%	11.4%	12.8%
EBIT Margin (%)	2.3%	2.2%	9.3%	7.2%	6.9%	7.1%	9.1%	9.4%	10.7%
Net Margin (%)	-1.5%	-0.8%	6.1%	5.3%	5.1%	5.2%	7.0%	7.3%	8.4%
ROA (%)	-1.7%	-0.8%	7.9%	7.6%	6.9%	7.0%	8.7%	9.0%	10.0%
ROE (%)	-8.4%	-3.9%	23.6%	17.8%	15.8%	15.3%	18.7%	17.7%	18.3%
ROIC (%)	-2.3%	-1.1%	12.8%	11.3%	11.4%	10.9%	13.2%	13.2%	14.3%
FCF Margin (%)	-0.8%	2.6%	9.4%	0.5%	1.4%	4.4%	3.3%	2.8%	4.4%
Liquidity and Solvency									
Net Debt / EBITDA (x)	7.54	8.37	1.01	1.10	-0.13	-0.45	-0.99	-1.18	-1.98
Debt/Equity (%)	2.60	2.33	0.73	0.44	0.26	0.28	0.32	0.26	0.21
Interest Coverage	-1.61	-1.54	-5.39	-9.48	-8.93	-9.09	-11.12	-11.42	-12.75
Current Ratio	1.44	1.43	1.37	1.58	1.44	1.61	1.93	2.11	2.19
Operational Figures									
Capital Expenditures (\$M)	-8.3	-9.0	-9.0	-11.0	-20.1	-33.6	-44.2	-83.9	-91.6
Net Working Capital (\$M)	123.5	128.8	303.0	413.2	411.4	552.9	839.4	1026.2	1171.3
Sales Growth (%)		17.0%	55.2%	11.8%	5.7%	11.2%	13.0%	10.7%	9.2%

Figure 20 – Evolution of Revenues by Segment (In millions of Dollars)



Source: Refinitiv

Pushing Global Leadership in High-Performance Gaming and Streaming Gear to improve margins

We forecast a **10.99% Revenue CAGR** for the next 5 years (Figure 20), with Peripherals providing the best returns for the company (15.98% CAGR), with Corsair exploring its leadership and pricing power in this segment to push its performance. With Corsair’s widening market share and market leadership in many products, we forecast the **Gross Margin to improve from 26.99% in 2021(A) to 29.95% in 2026**.

The constant stream of innovation provided by Corsair is expected to hold the company’s revenue stream, even despite life going back to normal after quarantines, with the company’s customer base largely increasing across the pandemic, with a high retention rate.

Supply Chain issues will provide a stumble period for Corsair

The main factor which holds Corsair from improving farther from our forecasts is the supply chain constraints, which have already affected Q4 results with a 1% increase in SG&A Costs. Our forecast accounts for a **stumble period of 1.5 to 2 years before Corsair steadily starts steadily improving its margins**. We expect a decrease in the operating margins for 2022 (Figure 21).

Strong Outlook for the next 5 years

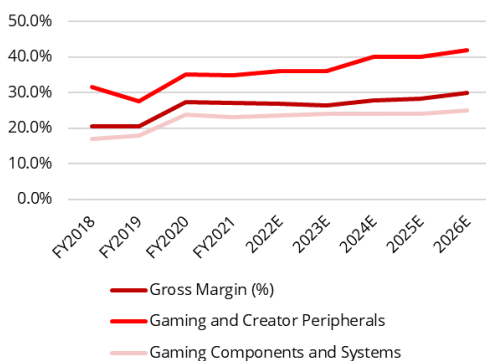
With a Revenue CAGR of 10.99% for the next 5 years, our outlook for Corsair is very positive. Considering the previous mentioned points, the company is in a privileged position to extract value from all corners of a booming market, reflected on the **improvement of Returns on Assets and Equity (10% and 18.3% by 2025, respectively)**. After the stumble period, we forecast Corsair to have a strong 2023 after surpassing issues related with SG&A and Deliveries, realizing its potential as a market leader in an improving financial condition situation, related with the reduction of debt.

Improving profitability

Over the last few years, Corsair went from an unknown come-up that was struggling, to an M&A powerhouse in gaming gear and peripherals. While its profitability metrics such as ROE and ROIC (Figure 22) are still far away from the peer’s comparison as well as from Computers/Peripherals industry, **they are on the right track and are improving each year**.

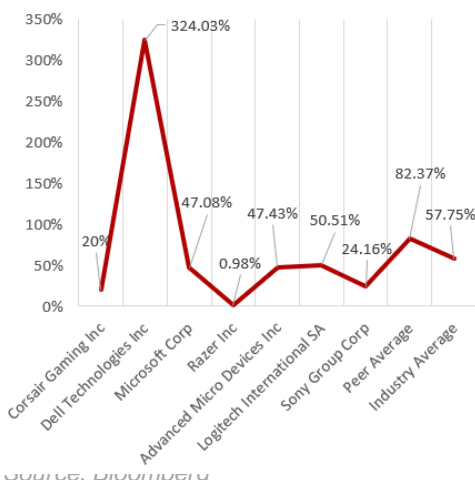
By splitting the ROE into 3 components (Figure 23), profit margin, asset turnover and financial leverage (better known as the DuPont Analyses) we can better analyze this trend. While for 2021 the net margins are down to 5%, with more acquisitions and bigger presence in the market due to already existing acquisitions, the company is able in the future to improve its net margins while at the same time slowly increasing its asset turnover rate, further bolstering the ROE of the company. On the other side, the financial leverage, despite many acquisitions, has been going down over the past few years, having adverse effect on the profitability.

Figure 21 – Margin by Segment



Source: Refinitiv

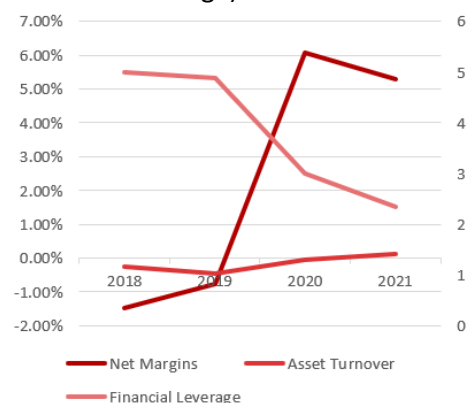
Figure 22 – Peer ROE Comparison



Source: Bloomberg

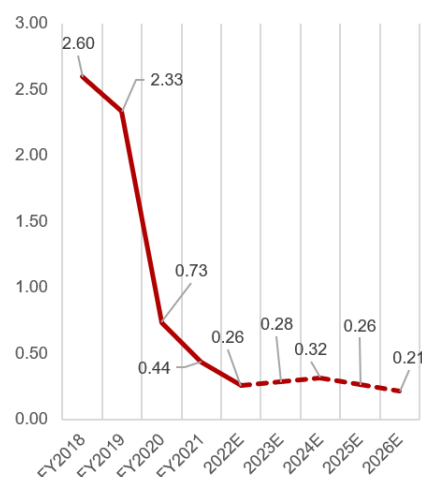
Debt/Equity and Credit Risk

Figure 23 – ROE Decomposition (Left: net Margins; Right: Asset Turnover & Financial Leverage)



Source: Bloomberg

Figure 24 – Debt/Equity



Source: Eikon Refinitiv

Figure 25 – Corsair Gaming Inc. Credit Ratings

Corsair Gaming Inc.

Credit Ratings	Moody's	S&P
Long-Term Credit	Ba3	BB-
Implied Default Prob. (5y)*	9.03%	9.03%
Outlook	STABLE	STABLE

Source: Standard & Poor's' and Moody's

Corsair's debt/equity has been decreasing over the past years. In 2018, Corsair's Debt/Equity started of high as the company was looking for acquisitions. From 2018 onwards D/E has been rapidly reducing as the company solidifies its position (Figure 24).

Following the positive trend, interest coverage has also been on the rise. While still far behind the peers (50.34 vs 7.48) the company is, non-the-less, on a great trajectory. While the future remains uncertain as to the path that corsair will take, solid D/E as well as Interest Coverage will allow it to navigate the murky waters with more confidence.

As for **Credit Risk (Figure 25)**, Corsair has enjoyed a wave of upgrades across all the major rating agencies as 2020 and 2021 proved to showcase its industry and robustness and potential. Nonetheless, it did not come as a surprise as it has done a tremendous **job de-leveraging** the last couple of years, therefore directly reducing its credit risk. Currently it boasts a **BB-/Ba3** credit rating, implying a historic **probability of default (PD) of 9.03%**, which should be substantially higher ex-ante for a company and industry poised to outperform in the medium-long term the vast majority of growth companies and sectors, in the same period. It is worth mentioning the fact that as of 3rd of April 2022, **Corsair has currently zero open Credit Default Swaps open**, proving, once again, that the market believes in its ability to capitalize on its brand portfolio and strategic positioning to get the most out of this booming industry. Corsair has set itself up for success both strategically and financially, therefore, we believe that its credit risks will dramatically improve in the future and provide all its stakeholders with an already robust operation with a strong and promising outlook in the future.

VALUATION

Figure 26 – WACC Calculations

WACC Calculations

Risk Free Rate	2.40%	10-year Treasury Yield
Beta	0.90	Peers' Average, Re-levered
Equity Risk Premium	4.24%	Damodaran
Cost of Equity	6.22%	CAPM
Cost of Debt	8.21%	4-year AVG of Interest Costs/BV of Debt
Tax Rate	21.00%	US Corporate Tax Rate
Market D/E	7.04%	Damodaran
WACC	6.24%	

Our Investment Thesis is supported by our Discounted Cash-Flow Model, yielding a 29.63% upside, with a WACC of 6.24% and a terminal growth rate of 2.5%. Our DCF is accompanied by a sensitivity analysis, testing changes in the terminal growth rate and in the WACC, a scenario analysis evaluating changes in our valuation Base case, and a relative valuation to further support our **BUY** recommendation for Corsair.

Methodology

For our valuation, we have employed a Discounted Cash Flow Method (FCFF) was employed, which is adequate to Corsair's profile, payout policy and growth prospects. The forecasting period comprises the years from 2022 until 2026, since there is some uncertainty about company behavior, with only four years of available information.

WACC

We arrived at a 6.24% Weighted Average Cost of Capital (**Figure 26**). For the beta level, we took Corsair peers' beta and re-levered. As for the cost of debt, since there is a lack of data regarding corporate rating for Corsair, we have assumed an average of interest costs for the past four years. With the change of capital structure from Corsair, and a small number of years to analyze, we have assumed a 7.04% Debt/Equity level, using industry data.

Terminal Growth

With the growth of the gaming and streaming industry being a reality, and in line with GDP and Inflation expectations for the long run, we arrived at a conservative 2.5% Terminal Growth Rate, with upside potential based on Corsair's market position. The implied exit multiple was 7.87x, below the current multiple.

Scenario Analysis

Exploring different scenarios, we have arrived at three different price targets based on the different cases for our investment thesis.

Scenario	Bear Case	Base Case	Bull Case
Corsair has great growth prospects and can extract value from its main revenue source and with the best margins	Corsair fails to explore extract more value from peripherals	Corsair asserts its leadership on peripherals and improves margins	Corsair fully conquers the segment
Gross Margin	22.81%	26.84%	30.87%
Loyal customer base in a fast-growing market, industry top-of-mind awareness	Retention of customers drops and revenues estimates decrease	Corsair maintains its loyal customer base and retention rate	Corsair significantly improves its customer loyalty
Revenue CAGR (Next 5Y)	8.80%	10.99%	13.19%
Market leader in many sub-categories and has a positive mix of organic and inorganic growth strategies (Innovation + M&A)	Corsair loses bargaining power with suppliers due to supply chain issues and competition	Market Leadership permits Corsair to have bargaining power with suppliers	Bargaining power with suppliers increases as Corsair ciments its leadership
NWC Increase (Next 5Y)	-0.27%	-0.30%	-0.33%
Price Target	18.78	28.80	30.39
Upside (Downside)	-15.49%	29.63%	36.78%

Sensitivity Analysis

We have tested our DCF in relation to changes in both the WACC and the Terminal Growth Rate to assess the vigorousness of the model, reaching the conclusion that, *ceteris paribus*, the breakeven (meaning 0% upside) terminal growth and WACC would be 1.33% and 7.20%, respectively. We can also conclude that most scenarios would yield an upside, supporting our thesis.

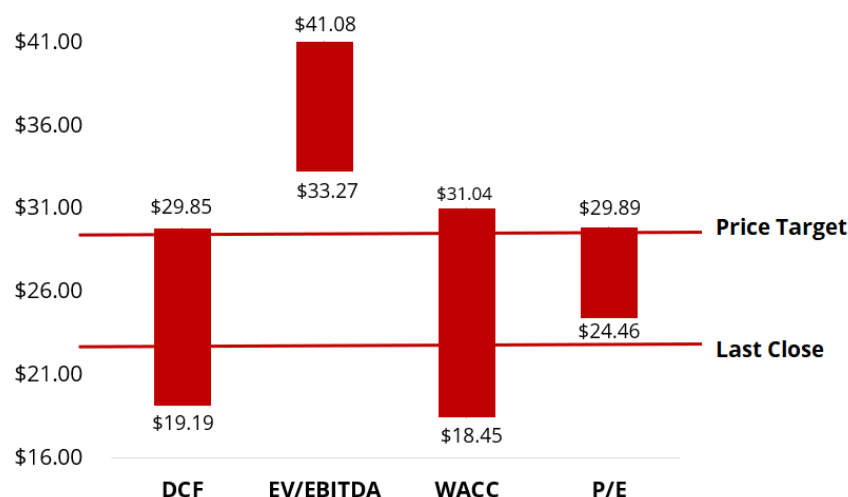
Sensitivity Analysis		WACC				
		6.00%	6.50%	7.00%	7.50%	8.00%
Terminal Growth Rate	28.80					
	1.50%	24.27	21.48	19.19	17.29	15.69
	2.00%	27.23	23.80	21.06	18.82	16.96
	2.50%	31.04	26.70	23.34	20.65	18.45
	3.00%	36.11	30.44	26.19	22.89	20.25
3.50%	43.21	35.42	29.85	25.69	22.45	

Relative Valuation

Company Name	EV/Sales	EV/EBITDA	P/E	P/FCFF	P/B	P/S
Corsair Gaming Inc	1.03	9.25	22.02	19.52	3.40	0.94
Dell Technologies Inc	0.70	6.07	8.67	3.24	4.75	0.40
Acer Inc	0.19	3.53	8.40	16.57	1.43	0.29
ASUSTeK Computer Inc	0.45	3.83	6.86	9.07	1.28	0.55
Razer Inc	1.42	26.55	6.26	16.43	4.70	1.73
Advanced Micro Devices Inc	8.81	38.55	59.20	41.25	18.87	9.04
Logitech International SA	2.10	9.92	47.88	15.13	5.72	2.29
Sony Group Corp	1.73	10.23	17.28	14.77	2.19	1.65
Peer Average	2.20	14.10	22.08	16.64	5.56	2.28
Discount relative to Peers	53%	34%	0%	-17%	39%	59%
Implied PT	47.46	33.86	22.28	18.94	36.35	53.86

To further support our recommendation, a relative valuation was performed using peers in the Computer Hardware sector, whereby concluding that Corsair is undervalued compared to its peers, even though it is in a high-growth, high-valuations sector. The implied price targets reached from 18.94, with P/FCFF being the only multiple at a premium, to a tremendous upside using the Price-to-Sales. Our thesis is further supported by our Football Field Price Projection (**Figure 27**).

Figure 27 – Football Field Price Projection

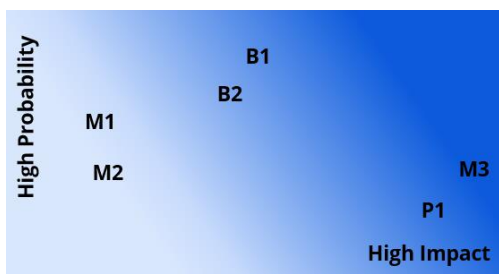


INVESTMENT RISKS

Figure 27 – Summary of Risks and Mitigations

Risk	Mitigation
Business Risks	
B1. Supply Chain Disruptions	
	Inventory Policy
B2. Innovation Risk	
	M&A
Market Risks	
M1. Return to Life as Usual	
	Loyal Customer Base
M2. Threat of New Entrants	
	Base
M3. Takeover Risk	
	Delaware Laws
Political Risks	
P1. Taiwan vs China	
	Inventory Reserves
	Diversification within Asia

Figure 28 – Risk Heat Map



Operational Risks: Disruption and Increase in Costs

B1. Supply Chain Disruptions: There are considerable risks in terms of supply chain disruptions, considering port closures in China, lack of raw materials and transportation times, which may result in less deliveries and thinner margins.

Mitigation: Corsair has stated that despite supply chain issues, it has been adapting its inventory policy to take the problem into account.

B2. Innovation Risk: As for innovation risk, Corsair has always incorporated a mix of organic and inorganic growth, yet a lack of future innovation in a market that highly prices it may result in competitive disadvantages against its competition.

Mitigation: Corsair has managed to overcome issues with its M&A policy, exploring new market niches and grabbing a stronghold in the market.

Market Risks: Trends and Takeover

M1. Return to Office and Life as usual: The gaming stocks boom came together with the large quarantines witnessed in 2020 and 2021, leading to more time spent gaming and hence a bigger investment in gaming materials, both components and peripherals. With the return to 'life as usual', we may witness a run from gaming stocks such as Corsair to other industries, with possible earnings slowing.

Mitigation: According to Michael Potter (CFO), despite the return to work in offices and return to classes, the company's customer based has widened to a point where a cycle of purchases can be created, renewing old peripherals or improving on hardware.

M2. Threat of New Entrants: With a market in such aggressive growth as gaming and streaming, new companies will be attracted to it, developing new technologies and optimizing current ones, which may result in a fiercer competition for Corsair and risk of lower margins and pricing power.

Mitigation: Corsair's top-of-mind positioning has earned a place in the consumers' regards and manages to maintain a loyal base.

M3. Takeover Risk: With a market cap slightly above \$2 Billion, Corsair is still a possible target for acquisition, even possible a hostile takeover risk. With Corsair's main shareholder (EagleTree Capital with 57%) being a Private Equity fund, takeover is a real risk.

Mitigation: This is the main risk, since the only real mitigation would be Delaware laws, where the company is registered, that provide some protection against hostile takeovers.

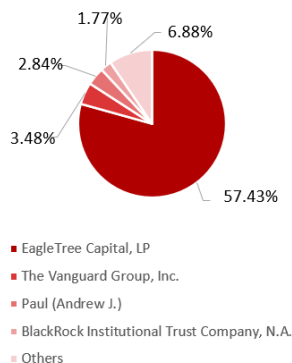
Political Risks: Political Tension

P1. Taiwan vs China: Adding to the current geopolitical conflicts, the Taiwan/China situation provides a significant risk of disruption for Corsair, since the company produces its DRAM components in Taiwan, as well the whole semiconductor industry having its main location there.

Mitigation: Corsair maintains a diversity in factories in Asia, hedging from the Taiwan vs China risk, all the while managing a healthy inventory policy.

APPENDICES

Figure 1 – Ownership Structure



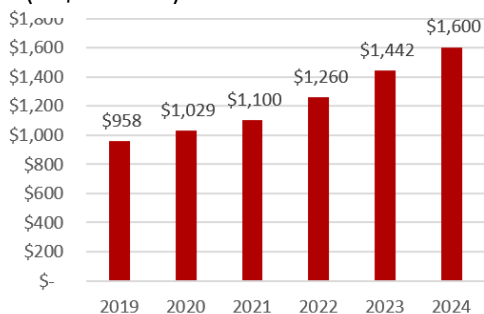
Source: Company Report

Appendix 1: Ownership Summary

With a market cap of \$2.14 billion, Corsair has the eyes of many institutional investors. Just the top 3 institutional organizations hold about 61.3% of shares. As of Currently, Eagletree Capital LP, a private equity firm based in New York, owns majority of Corsairs shares, having about 77% which equates to about \$54 million. Eagletree Capital LP has owned the company’s shares since the IPO of the company. The second largest investor is Vanguard who holds 3.40% and the third largest holder is Andrew J. Paul, the CEO of Corsair, holding 2.84% of shares. Also, the free float represents 23% of the shares, mainly made up of individual investors.

In total, there are 195 institutions holding Corsair shares. 3.44% are shares held by insiders, 73.50% are held by insiders, and 76.12% of float are held by institutions.

Figure 2 - Global E-Sport Revenues (in \$Millions)



Source: Company Report

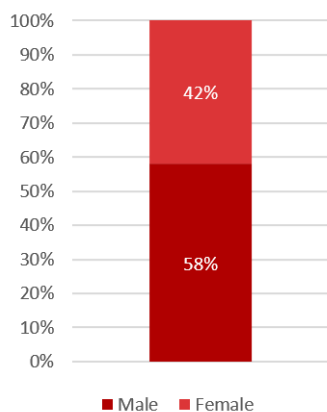
Appendix 2: eSports: Increasing Demand Driver

A trend that has been fuelling the gaming market is the rise and dominance of eSports. The E-Sports market keeps growing, adding more enthusiasts all over the world (Figure 1)

US eSports's audience is largely males, belonging to the younger generation (Figures 2 & 3), with majority being mid to high income. These people seem to be large spenders with appetite for new gear that makes them belong to a certain team.

A growing viewership of e-sports has opened up new opportunities for gaming accessories such as advanced gaming keyboards and gamepads. China is the largest, highest grossing, and the most profitable video game market in the world, since 2015. In esports, China has been the world leader in terms of tournament winnings, possessing some of the best talents in the world across multiple video games, as well as one of the largest pool of video gamers. Future gaming events in which Corsair is inserted will be crucial for the company to gain exposure of their own products. Their focus on this sector is not accidental and is sure to bring great return if they are able to create attractive products.

Figure 3 - US eSports's audience (per gender)



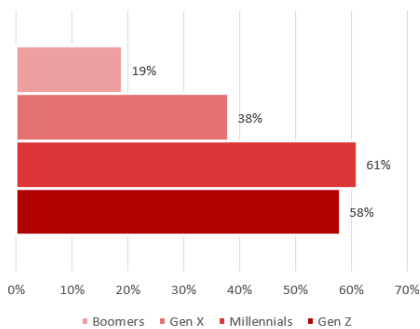
Source: GWI – Gaming Playbook

Overall market seems to be positively receptive of the advertisements in this space. While there is a growing number of people who are getting overwhelms by the ads in this space (24% think there are too many of them and 55% have used add blocker on steaming websites), there are still many opportunities to create a strong brand that Corsair has certainly been exploring.

Appendix 3: Streamers increase for Youtube, Twitch and Facebook

As for live-streaming, Youtube, Twitch, Facebook and many others also pose great opportunities for product promotion by streamers. Corsair has positioned itself very well with previous acquisitions such as Elgato, with industry leader products praised by thousands of streamers. If mass-adoption is achieved Corsair could gain a significant dominant position since it has public appraisal. The streaming audience is growing at an unprecedented pace. People that tune in to live-streaming to watch games reached 728,8M in 2021, growing by 10% in since 2020. Forecasts predict a 9,25% CAGR making the number of viewers reach 920.3M by 2024.

Figure 4 - % of gamers who are esports followers



Source: GWI – Gaming Playbook

It is also interesting to point out that the main live-streaming market is China followed by the US. China accounted for around 193M of the viewers in 2021, therefore expected to reach 214,3M by 2024. In the U.S., 15% of the adults aged 18 to 34 reported they watch livestream videos several times a day.

Taking the latter into account, now looking at the Geographic Sales of Corsair, we assess that the Americas are their main source of Revenues, followed by Europe and Middle East and, thirdly, Asia Pacific.

Appendix 4: Vertical Integration

Corsair mainly outsources the production of its high-performance computer hardware, mainly graphics processing units (GPUs) and central processing units (CPUs) to third-party suppliers and manufacturers in China, Taiwan, and countries in Southeast Asia. However, the company takes ownership of the creation of their popular dynamic random-access memory (DRAM) modules. Corsair operates and owns a facility out in Taiwan where they test, assemble, package, and is the source of the majority of the company's DRAM modules, as well as their prebuilt gaming systems and liquid cooling products.

Corsair also has a US facility they use to test, assemble, package custom-built PCs for customers. Also, the company has a facility in the UK that is used to manufacture their customized gaming controllers.

The in-house testing of their high-speed DRAM module done by Corsair has yielded great results since it is more efficient by having control of the process and allowing for them to “grade them and offer high-performance DRAM modules at higher price points.” According to their S1 form.

Appendix 5: Product Highlights

Corsair's keyboard lineup is very broad, with a multitude of prices offered, to cater for a broad range of users and wallets. The cheapest options lack some features that may seem unnecessary, such as Mechanical Switches, while the most expensive options offer everything, including wireless options and better-quality materials.

Similarly to the keyboard lineup, the mouse lineup also offers a multitude of prices to cater to everyone. The features offered for the cheaper mice are similar to what happens with keyboards, as Corsair uses worse switches and materials, while offering Wireless and better materials on the most expensive versions

Once again, the wireless and material quality issue is relevant, but the biggest difference between the higher and lower quality headsets is the microphone and sound quality. The Virtuoso SE, the most expensive option, has a close to studio-cheapest option, offers a usable microphone, but only stereo sound and lower quality 50mm drivers.

The Elgato brand, owned by Corsair since 2018, has been the leading streaming brand for the last decade, by providing one of the best capture cards and also the best streaming deck, along with other products

Elgato's presence has been dictated by its early moves, by being one of the first brands to ever sponsor youtubers and livestreams in the early 10s, making it the brand that first comes to mind to anyone who wants to buy a streaming product.

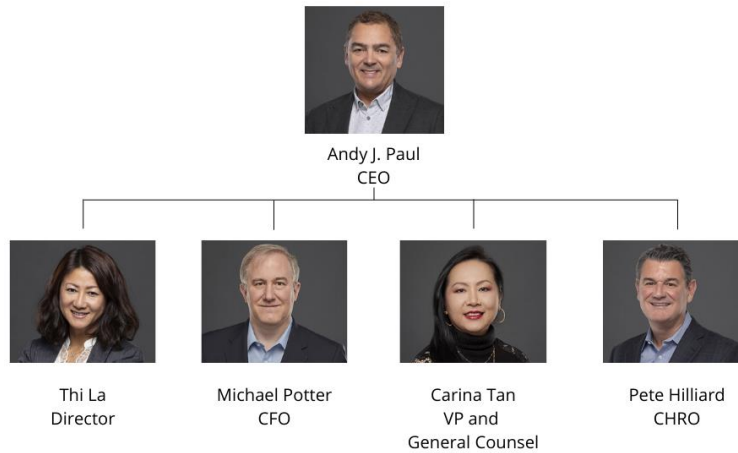
Corsair's PC components also have multiple tiers of quality and price, with the simplest parts doing what's needed, and the most expensive versions bringing in premium materials and RGB lightning for a better design.





This has led to a big dominance of the Market, with Corsair having a 40% market share in the US for PC Components, and 32% of the company revenue coming from Memory Modules (RAM).

Appendix 6: Organizational Chart, List of Executives, Compensation and Board Members



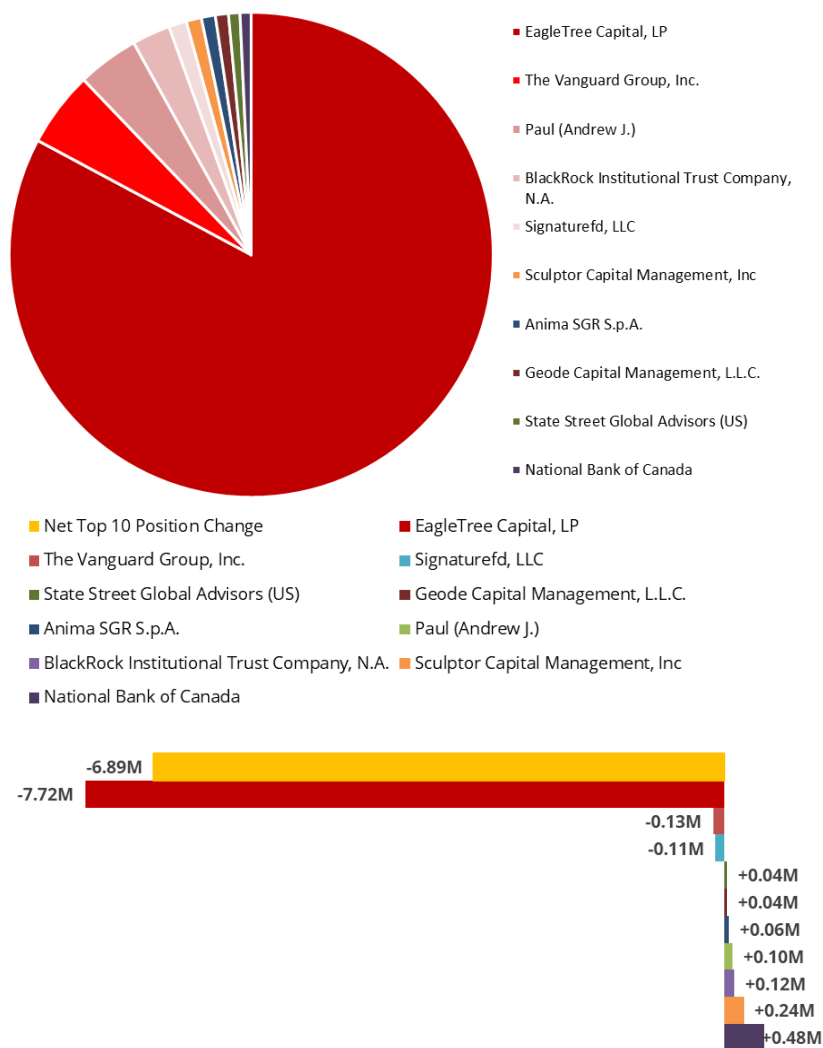
Name	Rank	Since	No. of Shares	Education	Background
Andy Paul	CEO and President	1994	3,057,087	Honors degree in Physics	Multichip Fairchild
Thi La	Director	2021	139,816	Electrical Engineering	Hewlett-Packard Opnext
Michael Potter	CFO	2013		- Graduate Diploma of Accountancy Bachelor of Commerce - Accountancy	Canadian Solar Lattice Semiconductor
Carina Tan	VP an General Counsel	2016		- JD (Law) BSc and MSc in Aerespacial Engineering	NASA
Pete Hilliard	CHRO	2020		- BSc in Business Administration	Quantenna Harmonica
Gregg Lakritz	VP, Corporate Controller	2017	0*	BA in Accounting MBA	Harmonic Trimble

* Has 90.000 Shares Execisable

Executive	Position	Total Compensation	Salary	Bonus
Andrew Paul	CEO	\$ 2,796,433.00	\$702,109.00	2082924
Michael Potter	CFO	1,338,900	450,000	\$ 877,500.00
Thi La	President and COO	1,820,034	536,156	\$1,272,478.00
Bertrand Chevalier	Chief Sales Officer	\$ 1,292,207.00	\$429,240.00	\$ 851,567.00
Greg A. Lakritz	VP and Corporate Controller	\$ 463,226.00	\$263,220.00	\$ 189,477.00
Carina Tan	VP and General Counsel	N/A	N/A	N/A
Pete Hilliard	Chief HR Officer	N/A	N/A	N/A
Average		\$ 1,517,288.67	\$464,856.33	\$ 797,755.50

Name	Position	Member Sin	No. of Shares	Residen	Education	Background	Experience
Andy Paul	CEO and President	1994	3,057,087	USA	Honors degree in Physics	Multichip Fairchild	Co-Founder
George L. Majoros, JR	Chairman	2017	61,900,059	USA	Economics JD (Law)	EagleTree Capital	Leadership Business Experience
Anup Bagaria	Director	2018	61,900,059	USA	Management Science	EagleTree Capital Wasserstein Perella	Leadership Business Experience
Diana Bell	Director	2020	-	USA	Mathematics MBA	Sutter Health Bay Area Hewlett-Packard	Leadership in Tech
Jason Cahilly	Director	2018	9607	USA	BA in International Relations JD (Law)	Dragon Group LLC Carnival Corporation NBA	Experience in Sports Experience in Entertainment
Sarah Mears Kim	Director	2021	-	USA	BS at Stanford MBA	Archipelago ICONIQ	AI Private Equity
Thi La	Director	2021	139,816	USA	Electrical Engineering	Hewlett-Packard Opnext	Experience at Corsair
Stuart A. Martin	Director	2017	-	USA	BA in Economics	EagleTree Capital UBS	Financial and Strategic Experience
Samuel R. Szteinbaum	Director	2018	153,497	USA	BA in Mathematics and Economics	The Wonder Years Hewlett-Packard	Experience in Tech
Randall J. Weisenburger	Director	2018	68,430	USA	BS in Accounting and Finance MBA	Omnicon Wasserstein Perella	Senior Executive of a Large Multinational Financial and Accounting skill

Appendix 7: Net Inflows of Top 10 Shareholders and Division of Shares among top 10 shareholders



Appendix 8: PESTLE Analysis

Corsair operates in a dynamic environment where it is influenced by – technological changes, government decisions, collective social trends, consumer spending behavior, regulatory framework, increasing regulatory framework for environmental factors, increasing environmental activism among consumers, and ever evolving legal system.

Political:

Regulatory Practices – Corsair must manage diverse regulations in the various markets it is present in. Over the last few years United States and other emerging economies have changed regulations regarding not only market entry but also how companies in Computer Peripherals can operate in the local market or other complementary products, affecting indirectly its overall performance.

Taxation policies – Over the last two decades Corsair has benefitted from lower taxation policies throughout the western hemisphere. It has resulted in high profits and increasing spending in the research and development. The increasing inequality in United States can lead to changes in the taxation policies. Secondly local governments are also looking into Computer Peripherals specific taxation policies to contain the carbon footprint of the Technology sector.

Importance of local governments in United States – Unlike in most other countries, local governments play critical role in policy making and regulations in United States. Corsair must closely follow the states and territories it has presence in rather than devising nation-wide policies in United States.

Political stability in the existing markets – Corsair operates in numerous countries; therefore, it must make policies for each country based on the Computer Peripherals industry specific requirements.

Armed Conflict – There are no imminent direct threats to United States, which may disrupt business environment's as we know it, especially with the Russian aggression seen near Ukraine recently.

Economic:

Government intervention in the Technology sector and in particular Computer Peripherals industry can impact the fortunes of the Corsair in the United States and the rest of the world.

Economic Cycles – The performance of Corsair in United States is closely correlated to the economic performance and, more importantly, consumer sentiment of the United States' economy. The growth in last decade is built upon increasing globalization and utilizing local resources to cater to global markets.

Downward pressure on consumer spending – Even though the consumer disposable income has remained stable, the growing inequality in the society will negatively impact consumer sentiment and thus impact consumer spending behavior.

Exchange rate – The volatile foreign exchange markets can force, for some countries, Corsair to incur in extra financial costs in order to hedge its investments, dampening their actual potential and slowing down the firm's expansion plans.

Inflation rate – Post “QE Infinity” inflation has come back with a vengeance from both supply side and demand side of the equation. The jury is still out on how well management can secure their supply chains without compromising their margins.

Social:

Demographics – For Technology products, Corsair has demographics on its side. The newer generations gained an appeal and/or necessity to buy and everyday use PC peripherals. Corsair can use this trend to cater to various segments of the population throughout their lifetimes.

Fashion/Trends – Nowadays, especially since the COVID-19 pandemic, PC peripherals have made a grand appearance into the “lifestyle” younger generations seek and partake. Corsair can successfully leverage this trend to its benefit and enjoy building its brand awareness exponentially.

Technological:

Empowerment of supply chain partners – Technology has shortened the product life cycle and it has enabled suppliers to quickly develop new products. This has put pressure on Corsair marketing department to keep the suppliers happy by promoting diverse range of products and/or come up with new ones.

Industry maturity – The technology in the Computer Peripherals sector is still not reached maturity and most players are vying for new innovations that can enable them to garner higher market share in United States.

Technology transfer and licensing issues for Corsair – In the Technology sector there is no strong culture of technology transfer and companies often are reluctant to transfer or license technologies for the fear of creating competitors out of collaborators.

Environmental:

Recycling is fast emerging as a norm rather than a good thing to do in United States economy. Corsair must make plans to adhere to regulations and expectations in the Technology sector.

Renewable technology is also another interesting area for Corsair. It can leverage the trends in this sector. United States is providing subsidies to invest in the renewable sector.

Waste management especially for units close to the urban cities has taken increasing importance for players such as Corsair. United States government has come up with strict norms for waste management in the urban areas.

Paris Climate Agreement has put real targets for the national government of United States to adhere to. This can result in greater scrutiny of environmental standards for Corsair in United States.

Legal:

Business Laws – The business laws procedure that United States follows. Are these norms consistent with international institutions such as World Trading Organization, European Union etc.

Employment law in the United States and how they are impacting the business model of Computer Peripherals. Can these conditions be replicated or bettered in international market?

Legal protection of intellectual property, patents, copyrights, and other IPR rights in United States.

Health and safety norms in the United States and what Corsair needs to do to meet those norms and what will be the cost of meeting those norms.

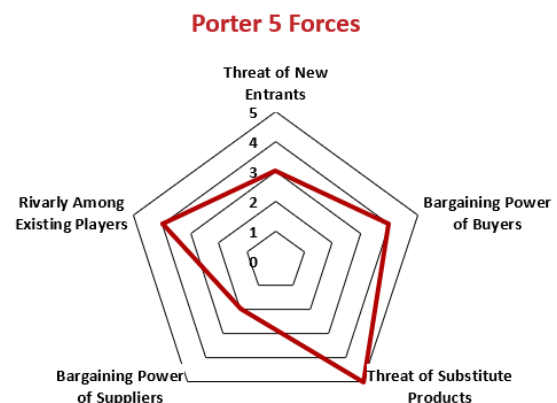
Data protection laws – Over the last decade data protection has emerged as critical part of not only privacy issues but also intellectual property rights. Corsair must consider whether United States have a robust mechanism to protect against data breaches or not.

Appendix 9: Porter's 5 Forces**Threat of new entrants in Computer Peripherals industry – 3**

If there is strong threat of new entrants in the Computer Peripherals industry, then current players will be willing to earn lower profits to reduce the threats from new players.

Bargaining power of buyers of Corsair and Technology sector – 4

If the buyers have strong bargaining power, then they usually tend to drive price down thus limiting the potential of the Corsair to earn sustainable profits



Corsair has done a brilliant job in taking advantage of its customer base and brand loyalty. Its Days Receivables from 2019 to 2021 decreased from 67d to 55d.

Threat of substitute products and services in Computer Peripherals sector – 5

If the threat of substitute is high, then Corsair must either continuously invest into R&D or it risks losing out to disruptors in the industry.

Bargaining power of suppliers in Computer Peripherals – 2

If suppliers have strong bargaining power, then they will extract higher price from the Corsair. It will impact the potential of Corsair to maintain above average profits in Computer Peripherals industry.

Corsair has been able to successfully manage its supply chains. Its days payables have remained at the 70d level, even with current shortcomings.

Rivalry amongst existing players in Computer Peripherals industry – 4

If competition is intense then it becomes difficult for existing players such as Corsair to earn sustainable profits.

In line with its Days Receivables, even with the increased competition in this sector, Corsair was able to leverage its competitive position. From 2018 to 2021, Corsair's Days Inventory has decreased steadily from 73d to 68d.

Appendix 10: SWOT Analysis

Strengths:

Market Leadership Position - Corsair has a strong market leadership position in most of the niches in the Computer Peripherals industry. It has helped the company to rapidly scale new products successes.

Track record of innovation - Even though most players in the Technology strive to innovate, Corsair has successful record at consumer driven innovation.

Success of new product mix - Corsair provides exhaustive product mix options to its customers. It helps the company in catering to various customers segments in the Computer Peripherals industry.

Diverse Revenue models - Over the years Corsair has ventured into various businesses outside the Technology sector. This has enabled the company do develop a diversified revenue stream beyond Technology sector and Computer Peripherals segment.

Talent management at Corsair and skill development of the employees - Human resources are integral to the success of Corsair in Computer Peripherals industry.

Brands catering to different customers segments within Computer Peripherals segment - Corsair extensive product offerings have helped the company to penetrate different customer segments in Computer Peripherals segment. It has also helped the organization to diversify revenue streams.

Weaknesses:

Loyalty among suppliers is low - Given the history of Corsair coming up with new innovations to drive down prices in the supply chain.

High cost of replacing existing experts within the Corsair - Few employees are responsible for the Corsair's knowledge base and replacing them will be extremely difficult in the present conditions.

High turnover of employees at the lower levels is also a concern for the Corsair - It can lead to higher salaries to maintain the talent within the firm.

Extra cost of building new supply chain and logistics network - Internet and Artificial Intelligence has significantly altered the business model in the Technology industry and given the decreasing significance of the dealer network Corsair must build a new robust supply chain network. That can be extremely expensive.

Opportunities:

Increasing customer base in lower segments - As customers have to migrate from un-organized operators in the Technology industry to licensed players. It will provide Corsair an opportunity to penetrate entry level market with a no-frill offering.

Increasing government regulations are making it difficult for un-organized players to operate in the Computer Peripherals industry - This can provide Corsair an opportunity to increase the customer base.

Accelerated technological innovations and advances are improving industrial productivity, allowing suppliers to manufacture vast array of products and services. This can help Corsair to significantly venture into adjacent products.

Opportunities in Online Space - Increasing adoption of online services by customers will also enable Corsair to provide new offerings to the customers in Computer Peripherals industry.

Strategic Partnerships - Tie-up with local players can also provide opportunities of growth for the Corsair in international markets. The local players have local expertise while Corsair can bring global processes and execution expertise on table.

Threats:

Growing technological expertise of local players in the export market - One of the biggest threats of tie-up with the local players in the export market for Corsair is threat of losing IPR. The intellectual property rights framework is not very strong in emerging markets especially in China.

Trade Relation between US and China can affect Corsair growth plans - This can lead to full scale trade war which can hamper the potential of Corsair to expand operations in China.

Changing demographics - As the baby boomers are retiring and new generation finding hard to replace their purchasing power. This can lead to higher profits in the short run for Corsair but reducing margins over the long run as young people are less brand loyal and more open to experimentation.

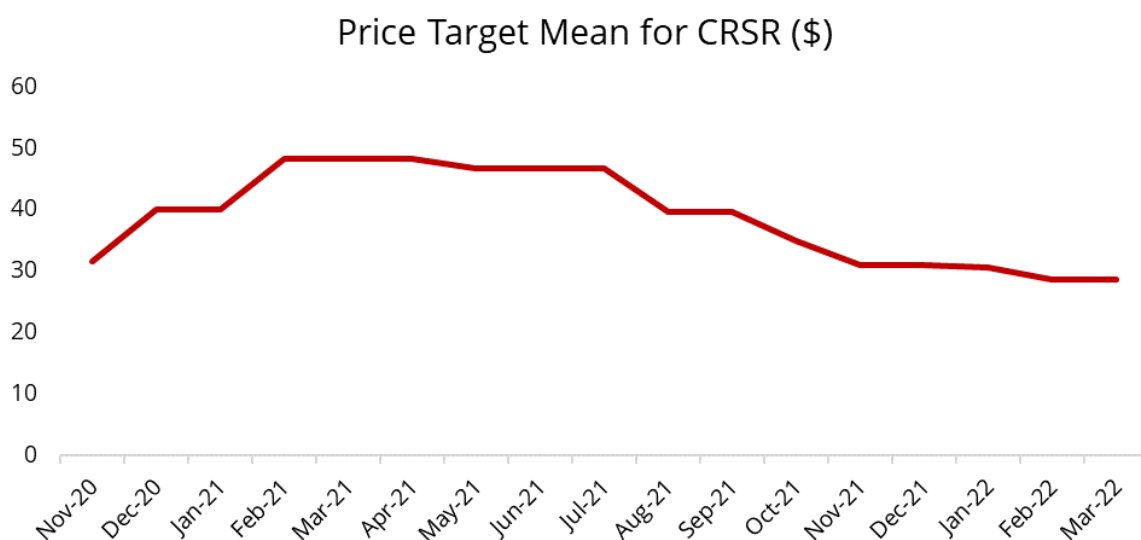
Changing political environment with US and China trade war, Brexit impacting European Union, and overall instability in the middle east can impact Corsair business both in local market and in international market.



Appendix 11: Analyst Recommendations

Having its first coverage started in November 2020, Corsair’s recommendation score has not been improving, starting with 3 strong buys and 6 buys to 2 strong buys, 4 buys and 4 hold recommendations.

The average Target Price has depreciated since the highs of April 2021, where it reached \$48.33, to a current \$28.56. Although it has fallen over 40% since the recommendation highs, the analysts’ view on Corsair’s future is **still quite bullish, representing a mean of 43.8% upside relative to the current price.**



Appendix 12: Income Statement

Income Statement (\$M)	FY2018	FY2019	FY2020	FY2021	2022E	2023E	2024E	2025E	2026E
Revenue	937.6	1,097.2	1,702.4	1,904.1	2012.6	2237.1	2526.9	2797.2	3054.6
Cost of Goods Sold	744.9	872.9	1,236.9	1,390.2	1472.4	1644.3	1824.0	2005.1	2139.8
Gross Profit	192.7	224.3	465.4	513.9	540.2	592.8	702.9	792.1	914.9
Selling/General/Admin. Expenses, Total	116.2	139.0	231.5	291.1	305.9	328.9	346.2	383.2	418.5
Selling/General/Administrative Expense	114.0	131.5	207.5	257.5	291.8	313.2	328.5	363.6	397.1
Labor & Related Expense	2.2	3.1	4.9	13.8	14.1	15.7	17.7	19.6	21.4
Advertising Expense	–	4.4	19.1	19.8	20.1	22.4	25.3	28.0	30.5
Research & Development	23.8	30.6	44.6	55.0	54.5	60.6	75.8	89.5	106.9
EBITDA	52.7	54.7	189.3	167.8	179.7	203.3	280.9	319.4	389.5
Depreciation/Amortization	30.9	30.0	30.0	29.9	40.7	45.2	51.0	56.5	61.7
Amortization of Intangibles	30.9	30.0	30.0	29.9	40.7	45.2	51.0	56.5	61.7
Total Operating Expense	915.8	1,073.5	1,544.0	1,766.2	1873.6	2079.0	2297.0	2534.3	2726.9
Operating Income (EBIT)	21.8	23.7	158.4	137.9	139.1	158.1	229.8	262.9	327.8
Interest Expense, Net Non-Operating	(32.7)	(35.5)	(35.1)	(17.7)	20.1	22.4	25.3	28.0	30.5
Other, Net	0.2	(1.6)	(1.2)	(5.7)	0.0	0.0	0.0	0.0	0.0
Other Non-Operating Income (Expense)	0.2	(1.6)	(1.2)	(5.7)	0.0	0.0	0.0	0.0	0.0
Net Income Before Taxes	(10.7)	(13.4)	122.0	114.6	118.9	135.7	204.6	234.9	297.2
Provision for Income Taxes	3.0	(5.0)	18.8	13.6	16.2	18.5	27.9	32.0	40.5
Net Income	(13.7)	(8.4)	103.2	101.0	102.7	117.2	176.7	202.9	256.7

Appendix 13: Balance Sheet

	FY2018	FY2019	FY2020	FY2021	2022E	2023E	2024E	2025E	2026E
Assets (\$ Millions)									
Cash and Short Term Investments	25.6	48.2	129.5	62.4	190	310	577.8	676.5	792.4
Accounts Receivable - Trade, Net	122.0	202.3	293.6	291.3	281.8	313.2	353.8	419.6	458.2
Total Inventory	149.0	151.1	226.0	298.3	322.0	324.4	353.8	391.6	427.6
Prepaid Expenses	17.3	24.7	38.0	51.0	46.3	51.5	58.1	61.5	64.1
Other Current Assets, Total	2.3	3.6	3.8	2.7					
Total Current Assets	316.3	429.8	691.0	705.8	840.1	999.0	1343.4	1549.2	1742.4
Property/Plant/Equipment, Total - Net	12.5	15.4	16.5	68.2	11.4	19.0	25.0	47.5	51.9
Goodwill, Net	226.7	312.8	312.8	317.1	320	350	350	350	450
Intangibles, Net	247.8	291.0	259.3	225.7	292.35	292.35	292.35	292.35	300.00
Other Long Term Assets, Total	7.7	10.8	34.6	20.7	18.5	18.5	18.5	18.5	18.5
Total Non Current Assets	494.7	630.0	623.2	631.7	642.2	679.8	685.8	708.3	820.4
Total Assets	811.0	1,059.7	1,314.1	1,337.4	1,482.3	1,678.8	2,029.2	2,257.5	2,562.8

Liabilities (\$ Millions)									
Accounts Payable	154.8	182.0	299.6	236.1	343.9	357.9	404.3	419.6	458.2
Accrued Expenses	--	--	121.2	152.2	153.7	170.6	188.4	207.8	223.6
Notes Payable/Short Term Debt	27.0	0.0	0.0	0.0	0	0	0	0	0
Current Port. of LT Debt/Capital Leases	1.6	2.4	0.0	4.8	2.2	2.2	2.2	2.2	2.2
Other Current liabilities, Total	35.6	115.5	84.5	53.7	84.77	88.23	99.65	103.42	112.94
Total Current Liabilities	219.1	299.9	505.4	446.7	584.63	618.97	694.55	733.04	796.89
Total Long Term Debt	394.1	503.4	321.4	242.9	166.9	218	300	300	300
Total Debt	422.7	505.8	321.4	247.7	166.9	218	300	300	300
Deferred Income Tax	34.7	33.8	29.8	25.7	20	20	20	20	20
Other Liabilities, Total	0.4	5.7	20.2	53.9	60	65	70	70	70
Total Non Current Liabilities	457.8	545.3	371.4	327.3	246.9	303.0	390.0	390.0	390.0
Total Liabilities	648.3	842.9	876.7	769.2	831.5	922.0	1,084.6	1,123.0	1,186.9
Shareholders Equity (\$ Millions)									
Additional Paid-In Capital	258.2	325.0	438.7	470.4	450	450	450	450	450
Retained Earnings (Accumulated Deficit)	(93.2)	(106.0)	(2.8)	98.1	200.8	318.0	494.7	697.6	954.2
Other Comprehensive Income	(2.4)	(2.2)	1.5	(0.3)	0	0	0	0	0
Total Equity	162.7	216.8	437.4	568.2	650.8	768.0	944.7	1147.6	1404.2
Total Liabilities & Shareholders' Equity	811.0	1,059.7	1,314.1	1,337.4	1,482.3	1,690.0	2,029.3	2,270.6	2,591.1

Appendix 14: Discounted Cash-Flow Analysis

Discounted Cash Flow Model	2022E	2023E	2024E	2025E	2026E
Revenue	2,012.6	2,237.1	2,526.9	2,797.2	3,054.6
Operating Income (EBIT)	139.1	158.1	229.8	262.9	327.8
EBITDA	179.7	203.3	280.9	319.4	389.5
NOPLAT = EBIT*(1-Tax)	109.9	124.9	181.6	207.7	258.9
Depreciation & Amortization	40.7	45.2	51.0	56.5	61.7
Stock-Based Compensation	14.1	15.7	17.7	19.6	21.4
Capital Expenditures	20.1	33.6	44.2	83.9	91.6
Change in Net Working Capital	117.3	53.0	123.0	122.4	115.9
Unlevered Free Cash Flow	27.2	99.2	83.1	77.5	134.5
Present Value of Free Cash Flow	25.6	88.0	69.5	61.0	99.8
Sum of Present Values	343.9				

Terminal Value - Growth in Perpetuity Approach

Long term growth rate	2.50%
Terminal value in 2023	3685.10
PV of TV	2722.63

Net debt

Gross Debt	248
Cash and equivalents	62
Net Debt	185.30

Price Target

Enterprise Value	3,066
Equity Value = Enterprise Value - Net Debt	2,880
Dilutive Shares Outstanding	100
Price Target	\$ 28.80
Price (last quote)	\$ 22.22
Upside/Downside	29.63%
Implied EV/EBITDA Exit Multiple	7.87

Appendix 15 - Glossary

DRAM	Dynamic Random Access Memory - type of semiconductor memory that is typically used for the data or program code needed by a computer processor to function.
COASt	Cache on a Stick - a memory module used to provide additional layers of cache memory on a computer.
Peripherals	Computing device or equipment that is part of the computer but doesn't perform any core computing process. For example, microphones or cameras.
OEM	Original Equipment Manufacturer
ISO 14001	Environmental management system criteria certificate
Components	Basic physical element that's required by the computer to function. For example: GPU or CPU
GPU	Graphics Processing System
CPU	Central Processing Unit
Credit Default Swaps	Financial derivative contract that shifts the credit risk of a fixed income product to a counterparty in exchange for a premium

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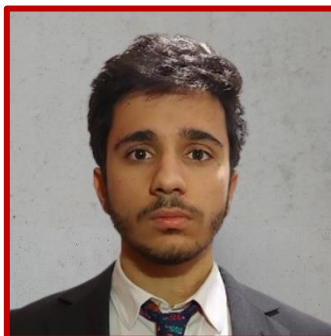
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