

WESTPEAK RESEARCH ASSOCIATION

Corsair Gaming Inc. (NASDAQ: CRSR)

Consumer Discretionary – Consumer Electronics

Build it Beautiful

March 15, 2022

Headquartered in Fremont, California, Corsair Gaming, Inc. (“Corsair” or the “Company”) is a leading hardware and peripherals specialist providing high-performance gaming components and systems. It currently operates through its retail and direct-to-consumer channels, distributing products to retailers, such as Amazon and Best Buy.

Investment Thesis

Despite CRSR’s stock price dropping over 50% in the past six months due to supply chain issues, the company is recovering and is thus, slightly undervalued by the market. The company is positioned well to capture growth opportunities from the pandemic and much of its expected growth was priced in by investors after the acquisition of Visuals by Impulse in February 2021. Consequently, we believe that there is potential for significant upside within the coming years for CRSR, as management focuses on entering new product segments, and is investing significantly in research and development.

Drivers

As consumer discretionary income rises and the demand for higher quality gaming and personal computer setups continues to rise, we expect an increase in spending within the peripherals and systems segments. Additionally, Corsair’s transition to targeting mainstream, casual gamers will drive up demand for higher quality PC components.

Valuation

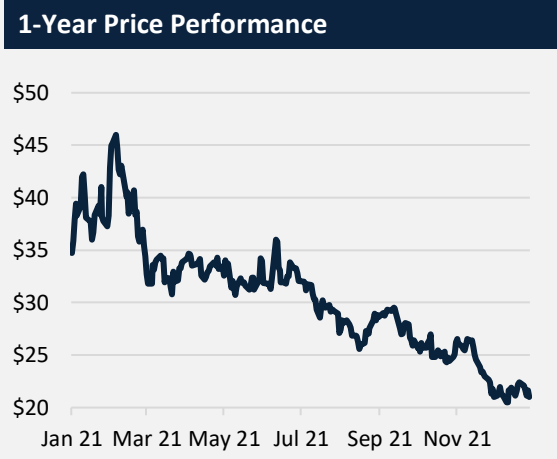
Our analysis has revealed a target share price of USD \$27.94 – an implied upside of 52.4%. This was derived from an EV/EBITDA exit multiple and perpetuity growth approach through a DCF analysis, each weighted at 20%, as well as EV/EBITDA and P/E multiples derived through a comparable companies analysis, each weighted at 30%. Thus, we initiate an **OUTPERFORM - BUY** rating.

Analyst: Caitlin Syho, BCom. '24
contact@westpeakresearch.com

Equity Research	US
Price Target	USD\$ 28.00
Rating	Buy
Share Price (Mar. 15 Close)	CAD\$ 18.34
Total Return	52.4%

Key Statistics	
52 Week H/L	\$49.60/\$20.05
Market Capitalization	\$1.98B
Average Daily Trading Volume	\$1.2M
Net Debt	\$310M
Enterprise Value	\$2220M
Net Debt/EBITDA	1.3x
Diluted Shares Outstanding	\$94M
Free Float	39%
Dividend Yield	0.0%

WestPeak's Forecast			
	2021E	2022E	2023E
Revenue	\$2.04B	\$2.32B	\$2.59B
EBITDA	\$199M	\$185M	\$337M
Net Income	\$116M	\$111M	\$236M
EPS	\$1.16	\$1.11	\$2.36
P/E	5.0x	10.0x	15.0x
EV/EBITDA	5.0x	10.0x	15.0x



Business Overview/Fundamentals

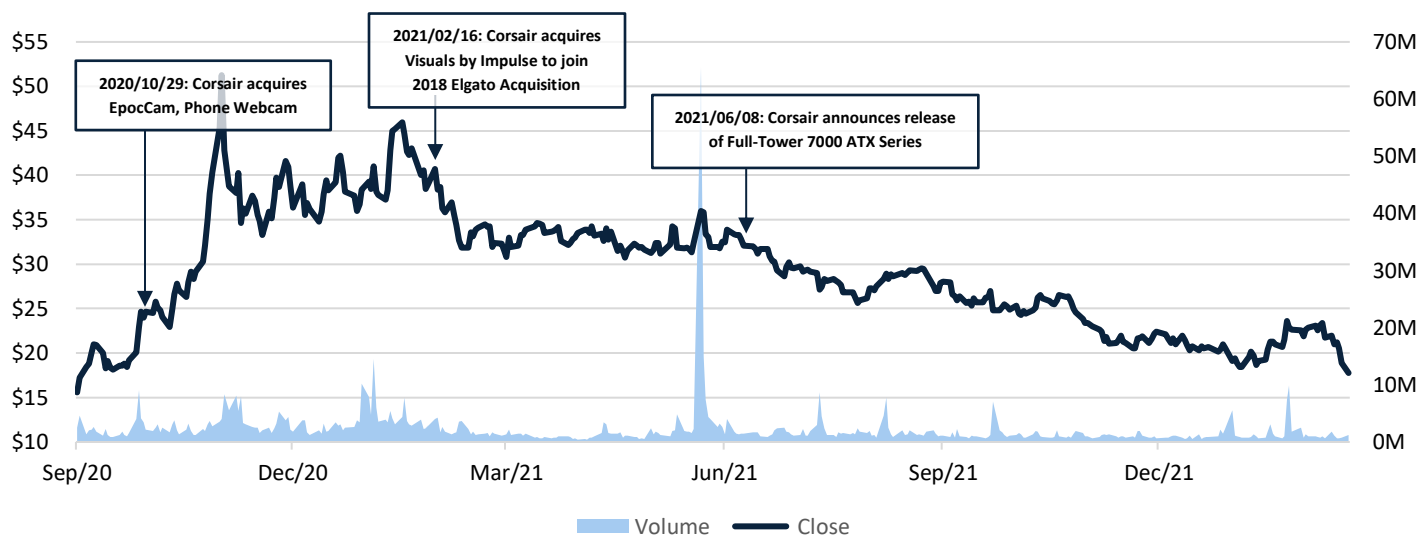
Company Overview

Corsair is a leading global innovator and provider of high-performance gaming components and systems. Founded in Fremont, California, its products span across a multitude of devices, including personal computers (PCs), console platforms, and streaming setups. The key products that the company is known for are high-performance computer memory, power supplies, coolers, and gaming keyboards. Corsair has designed and manufactured in this market for over two decades, with a sizable number of their products maintaining a number one U.S. market share position. According to data by the NPD group, it currently holds a 41.9% market share in the PC Components segment and an 18.3% market share in the peripheral segment.

It currently operates through retail or direct-to-consumer channels. Within the retail channel, Corsair's products are directly distributed to retailers, such as Amazon and Best Buy, through its key distributors.

Corsair Stock Price & Volume

Major Events



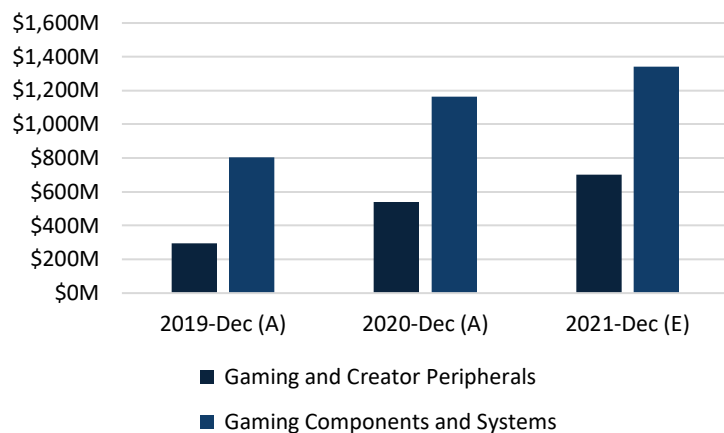
Product Segments

Gamer and Creator Peripherals

This product segment includes high-performance gaming keyboards, mice, headsets, controllers, and streaming gear including capture cards, Stream Decks, USB microphones, studio accessories, and EpocCam software, as well as coaching and training services, among others. This segment had net revenue growth of 83.4%, in 2020, driven by sales of Elgato

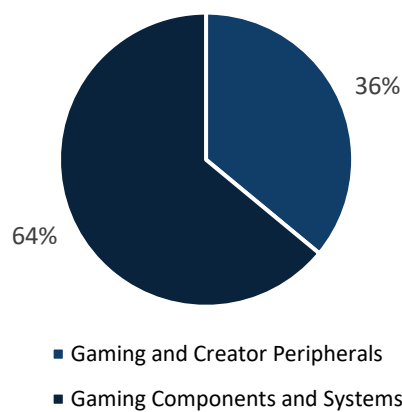
branded streaming products, gaming chairs, headsets, and the contribution from SCUF. The peripherals segment comprised 31.7% of total net revenue in FY2020.

Revenue of Product Segments
2019-2021



Source: [Company Filings](#)

Revenue Breakdown by Segment
Sept 2021



Source: [Company Filings](#)

Gaming Components and Systems

This product segment includes high-performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs, among others. There have been strong sales across all products, following the introduction of high-performing microprocessors by Intel and AMD and graphics cards by AMD and Nvidia. The segment gross profit was \$275.7 million, an increase of 92.9% year over year. The gross margin was 23.7%, an increase of 590 basis points, coupled with fewer promotional activities.

PC Gaming Software

The proprietary iCUE software developed by Corsair and Elgato’s streaming suite for content creators provides unified, intuitive performance, and aesthetic control and customization across their respective product families.

Acquisitions and Subsidiaries

Corsair acquired Origin PC Corporation in July of 2019, a company that specializes in hand-built, personalized, high-end gaming PCs. In December 2019, it acquired SCUF Holdings Inc. and its subsidiaries. SCUF Gaming, launched in 2011, manufactures modular controllers, which players can customize to their individual preferences. It has an expansive portfolio and several partnerships within the eSports space, including being a licensing partner of Activision for Call of Duty. The addition of Origin and SCUF’s products enhanced and expanded Corsair’s product offerings within PC and console gamers, respectively. In August of 2020, Corsair acquired ElocCam to enhance the Elgato streaming camera software offering. Gamer Sensei was acquired in October 2020 to offer gaming coaching services to a wide audience looking to improve their

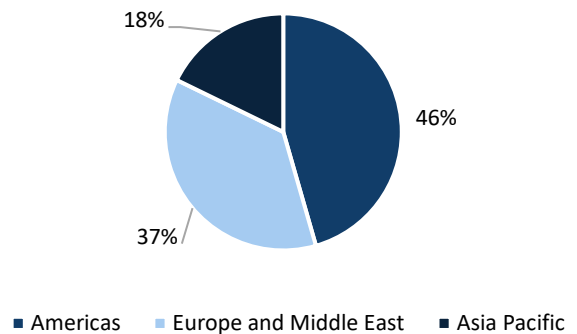
skills. In February 2021, Visuals by Impulse was acquired to provide creative services to streamers looking to professionalize the look of their broadcast. Origin is part of the gaming components and systems segment and SCUF, EpocCam, Gamer Sensei and VBI are part of the gamer and creator peripherals segment.



Company Strategy

Due to Corsair’s competitive pricing, advanced technology, and breadth of product variety, they have maintained a leading position within the PC components market, anticipating continued growth and expansion in additional categories as spending per participant on high-performance gaming gear increases. Corsair intends to leverage its brand, software integration and superior product quality to support a pricing premium in the gaming PC components category. Cooling solutions, PSUs, commanded the highest price premiums in the United States in 2020, 54%, 31%, and 29%, respectively. 25% of its existing engineering team are working on software solutions, which will allow the company to introduce new products in the coming years. Expanding into new gear and services is Corsair’s strategy to maintain its position within the market, as the company has successfully entered several new gear categories and has followed customers’ changing needs.

Revenue Breakdown by Region



The Asia Pacific region is a significant long-term growth opportunity and Corsair has recently invested in its local sales force and regional management to build out distributor networks and retail partnerships. Additionally, Corsair intends to make significant marketing investments in leading streamers, social media influencers and eSports teams. Corsair is also prioritizing investment in creating innovative gaming and streaming gear and related software to enhance the customer experience by delivering top-notch technology. Management plans to continue to pursue scope deals to diversify product offerings within new segments, as well as scale deals, to strengthen its capabilities in existing segments and broaden Corsair’s end-user base. The acquisitions of Origin and SCUF in 2019 are two companies whose sales are primarily generated through direct-to-consumer channels. Management believes that direct-to-consumer sales represent a significant driver of growth by facilitating market penetration across all its product categories. Thus, a proposed goal is for 15% of Corsair’s revenue to come through a direct-to-consumer experience by 2023.

Environmental, Social & Governance

Environmental

Corsair's ESG Risk Rating is 22.7, which is medium risk relative to its competitors in the space. As Corsair's operations, properties, and the gear sold are subject to a variety of U.S. and foreign environmental laws, air emissions, wastewater discharge, management and disposal of hazardous materials are subject to similar compliance restrictions as other manufacturers of computer components.

Social

Corsair's core mission is to empower people, remove barriers, and change lives for the better. Ultimately, they have focused on partnering with several non-profit organizations to target in which the company can make a significant positive impact. Additionally, Corsair is heavily focused on Diversity & Inclusion within its workforce and Community Involvement. Corsair has matched employee donations to prominent groups such as BLM, UNCF, and Thurgood Marshall College. Women are also frequently undervalued in gaming and tech industries, which Corsair directly targets this issue by funding on-campus clubs to help women network with gaming professionals, gain technical skills, and organize game-jams.

Governance

To quantitatively evaluate Corsair's Governance measures against the wider market, we investigated the ISS Governance Score. The ISS Governance Score is based on four key factors: audit board, shareholder rights, and executive compensation. The lower the rating, the better as 1 is considered the highest score and 10 is the lowest possible score. The pillar scores are Audit: 9; Board: 10; Shareholder Rights: 7; Compensation: 8. EagleTree controls a majority of voting power for Corsair's outstanding stock, and as a result, Corsair is a "controlled company" within the meaning of the corporate governance standards of the Nasdaq Global Select Market. Under these rules, Corsair may not elect to comply with certain corporate governance requirements. In the event that Corsair ceases to be a "controlled company", and its shares are listed on the Nasdaq, it will be required to comply with provisions within the applicable transition periods.

Industry Analysis

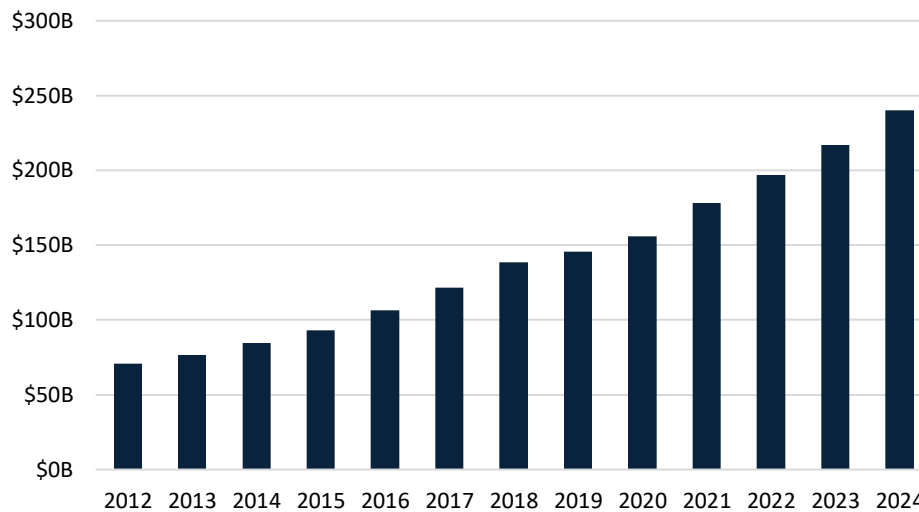
Corsair Gaming Inc. primarily operates in the gaming and creator streaming gear market, providing for casual gamers and e-sport professionals. The global gaming PC and streaming gear markets (including peripherals, components and prebuilt PCs and laptops specifically designed for PC gaming), totalled approximately \$36 billion in 2019, according to Jon Peddie Research. Much of entry-level revenue is coming from new gamers entering the space, as Corsair directly targets individuals looking to personalize their builds and upgrade specific specifications. PC gamers spent \$953 on average in 2019, representing 46% of global spending on gaming PCs, and this market has grown at a 14% compounded annual growth rate from 2012 to 2019. The development and manufacturing of consoles and accessories constitute a notable share of the

gaming industry. Corsair is directly capitalizing on the growing trend, as gaming spans across a multitude of devices that its products service.

Advancing technology has induced rapid growth within the gaming industry, with the increasing availability of high-quality gaming interfaces, along with reduced hardware distribution requirements. Throughout the COVID-19 pandemic, the gaming industry experienced rapid growth in demand, as consumers began to turn to video games as a source of entertainment, socialization, and entertainment. PC gamers spent \$953 on average in 2019, representing 46% of global spending on gaming PCs, and this market has grown at a 14% compounded annual growth rate from 2012 to 2019.

Global Video Game Market Value (\$US billions)

2012-2024

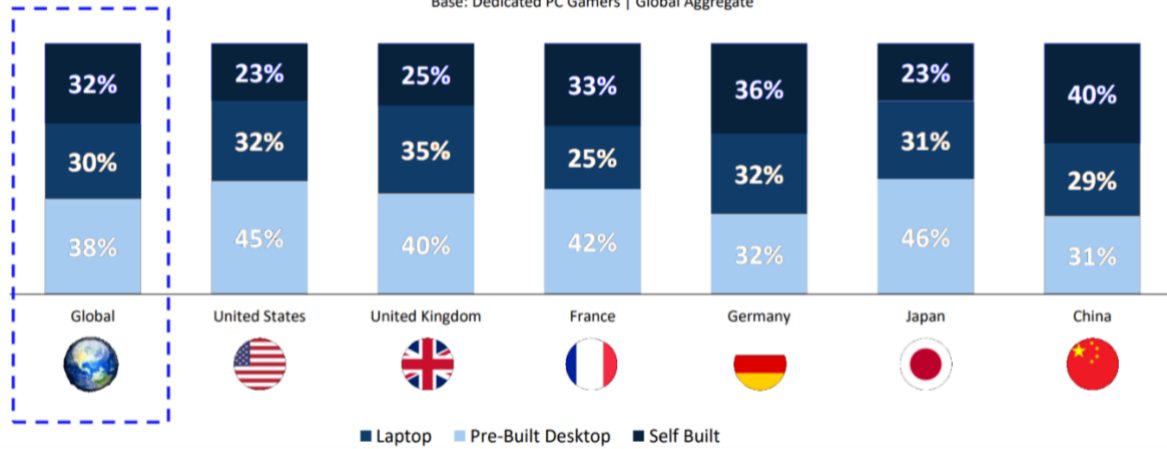


Source: *Statista*

Corsair is the leading player in gaming components across each of their product segments. Specifically, in the gaming peripherals market, Corsair has increased its US market share from 5.0% in December 2012, to 15.5% in December 2020. According to Expert Market Research, the global gaming peripherals market size reached a value of almost USD 2.85 billion in the year 2020. The market is further expected to grow at a CAGR of 8% between 2021 and 2026 to reach a value of almost USD 4.5 billion by 2026. Additionally, for the twelve months ended December 2020, Corsair had number two U.S. market share in gaming computer cases with an 18% market share, and number one U.S. market share in cooling solutions with a 48% market share, power supply units (PSUs) with a 37% market share and high-performance memory with a 55% market share. The global PC Power Supply market was valued at 782.19 million USD in 2020 and will grow with a CAGR of 5.17% from 2020 to 2027. Corsair’s extensive coverage amongst a multitude of gaming components, allows it to benefit the expansion of the gaming world. With its recent announcement to launch 75 new products and plans to accelerate that pace in the coming six months, it is foreseeable that year-to-date sales of gaming accessories will increase from the prior year of 12%.

Main Gaming PC Used

Base: Dedicated PC Gamers | Global Aggregate



62% of dedicated PC Gamers use a desktop as their main gaming PC. Approximately 1/3 use self-built PCs.

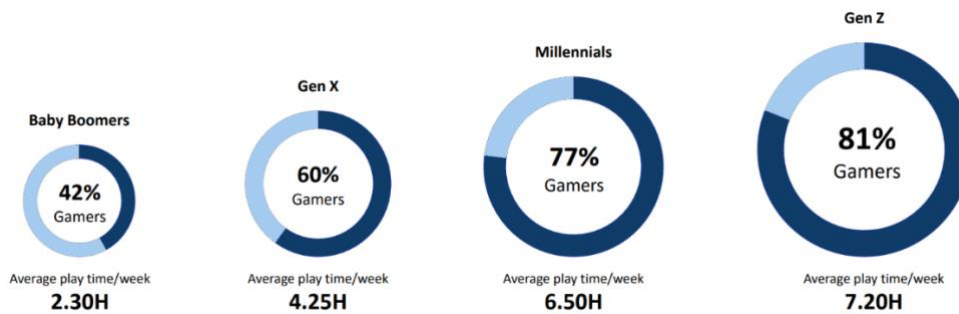
Source: 2022 Investor Day Presentation

Drivers

The proliferation of Streaming and Competitive Gaming

The global eSports and games streaming industry will be worth \$US 3.5 billion by 2025, rising from \$US 2.1 billion in 2021. This is one of the fastest-growing sub-segments in the global gaming sector, with a growth of over 70% over the next 4 years. Digital content creation has rapidly expanded the demand for personal computer accessories and gear. Gaming content creation and streaming are one of the most significant growth drivers for the industry, with over 40 million active gaming channels on YouTube in 2020, and over 27 billion live streaming hours watched across Twitch, Mixer, Huya, Douyu, YouTube Gaming and Facebook Gaming in 2020. Within the same year, the number of gaming video content viewers reached a record of 1.2 billion, representing a growth of more than 25% in gaming video content (GVC) revenue. With over ~6 million committed streamers across platforms, each purchasing an average of over \$240 in streaming gear in 2019.

Number of Gaming Hours Increasing



Source: 2022 Investor Day Presentation

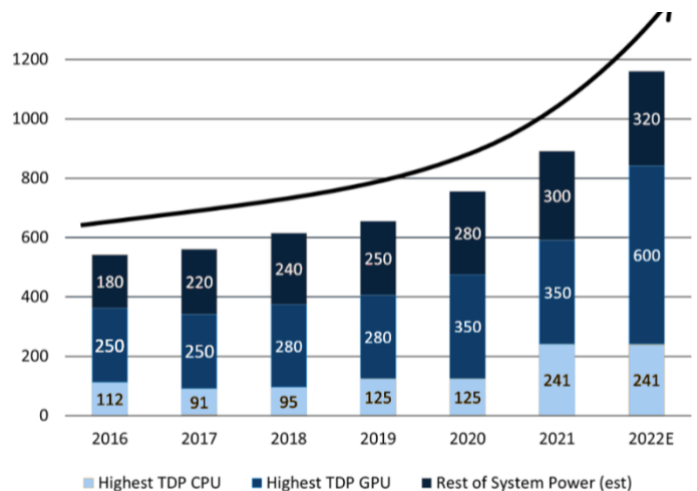
Commercial Increase in Tech Upgrades

Applications for streaming gear that Corsair manufactures, include an extensive variety for digital creators, including podcasting, video blogging, interactive fitness, remote learning, work-from-home, etc. With increased hours in these activities by individuals, induced by the stay-at-home enforced restrictions throughout the pandemic, gamers are continuing to upgrade and buy new PCs and accessories. Throughout 2020, 64% of businesses enabled a remote workforce, with 55% of companies accelerating tech spending to address needs for employees. Ted Pollak, Senior Analyst Gaming Industry, said “The PC Gaming Hardware market is in a rare scenario where every segment is going up. We see a lot of people buying and upgrading personal and company subsidized computers with better parts, with the intention of playing video games.” Ultimately, the gaming accessories market has sustainable growth driven by emerging trends across the globe.

High-Performance Computing Hardware and Sophisticated Games

The introduction and availability of more powerful CPUs and GPUs that place increased demands on other system components, such as memory, power supply or cooling, has a significant effect on increasing the demand for our gear. Corsair’s business model relies on the introduction and success of games with graphics that create the need for processing speed capacities that its high-performance gaming components and systems (PSUs and cooling solutions) can meet.

Desktop System Power Draw Over Time (Watts)
2016-2022



Catalysts

Growth of Casual Gaming

Corsair has been able to capitalize on the increased discretionary spending on personal computer setups throughout the duration of the COVID-19 pandemic. Net revenues increased 55.2% in 2020, compared to 2019, due to strong revenue growth in both product segments. Existing customers are upgrading their systems and gear for a better gaming/streaming experience. Education and awareness of these products are driving the post-acquisition revenues from the SCUF and Origin Acquisition.

Entrance into New Product Segments

Corsair is at the forefront of leadership with its technology. With its recent entrance into the webcam market, leveraging the Elgato Acquisition, the company is just beginning to tap into the growing market of over US \$7B. The products Corsair has developed bridge the gap between webcam and professional cameras, allowing it to serve non-gamer markets, along with professional streamers who have broadcast quality criteria to meet. Along with webcams, Corsair is entering the gaming monitor market with a TAM of \$4B+, aligning with their iCue ecosystem. We believe that these new product entries will allow Corsair to strengthen its competitive position within the market and expand its market share within the peripherals product segment. Additionally, both AMD and Intel are poised to make the switch to DDR5 Memory Technology in 2022, which will enable a surge of upgrades. Corsair is directly poised to meet the demand of this technology switch as users turn towards DDR5 Memory.

Management Team

Andrew Paul, Chief Executive Officer

Andrew has over 30 years of professional sales experience and previously served as the President of Multichip Technology, which operated as a subsidiary of Cypress Semiconductor. Before co-founding Corsair in 1994 with three other engineers in the Silicon Valley, Mr. Paul held various sales, marketing, and engineering positions at various semiconductor companies, including Fairchild. He holds an honours degree in Physics from the City University, London, England. He recently served as a Mentor in the Global Social Benefit program at Santa Clara University, offering guidance for small enterprises in emerging countries. Additionally, as the Founder and Principal of the Sales Action Group, he has consulted with numerous CEOs to help them discover the key to consistent sales success. In 2020, Mr. Paul received a base salary of \$702,109, a 4.5% increase from 2019, \$468,073 and \$234,036 from the Annual Cash Bonus opportunities, Corporate Performance Factor, and Individual Performance Factor, respectively, and \$1,380,815 in non-equity incentive plan compensation.



Thi La, President and Chief Operating Officer

Thi La has served as Corsair's Chief Operating Officer since 2013 and President since January 2021. Prior to her role as COO, she served as Senior Vice President and General Manager of Corsair's gaming PC component unit. Prior to joining Corsair, she served as the Vice President of Global Operations and Information Technology at Opnext, Inc., and held various positions at Hewlett Packard, including Director of Consumer Desktop PC, Display and Accessories for North America. Ms. La holds a B.S. in Electrical Engineering from San Jose State University. In 2020, Ms. La received a base salary of \$536,156, \$285,950, and \$142,975 from the Annual Cash Bonus opportunities, Corporate Performance Factor, and Individual Performance Factor, respectively, and \$843,553 in non-equity incentive plan compensation.



Michael Potter, Chief Financial Officer

Michael Potter has worked in finance, controlling, and audit positions with a variety of multinational companies for over 30 years. Prior to joining Corsair, he spent ten years in the semiconductor industry in public-company CFO roles with Lattice Semiconductor Corporation, Neophotonics, and STATS ChipPac. He also spent five years as the CFO and Chief Legal Officer at Canadian Solar, a large NASDAQ listed company with HQ Offices in Suzhou, China. His extensive experience in North America and China led Mr. Potter to facilitate a key role during the IPO in September 2020, improving the balance sheet with over \$200M of debt retired since joining and refinanced the remaining debt (\$250M) at a much lower interest rate while doubling the revolver size (\$50M to \$100M). In 2020, Mr. Potter received a base salary of \$450,000, \$195,000, and \$97,500 from the Annual Cash Bonus opportunities, Corporate Performance Factor, and Individual Performance Factor, respectively, and \$585,000 in non-equity incentive plan compensation.



Bertrand Chevalier, Executive Vice President, Gaming

Mr. Chevalier joined Corsair in 2014 as the Director of Channel Marketing in 2010, and now serves as the Executive Vice President, Gaming, held since 2014. He has extensive experience in product marketing, business launches, and P&L management. In 2020, Mr. Chevalier received a base salary of \$429,240, \$191,364, and \$95,681 from the Annual Cash Bonus opportunities, Corporate Performance Factor, and Individual Performance Factor, respectively, and \$564,522 in non-equity incentive plan compensation.



Gregg A. Lakritz, Vice President, Corporate Controller

Mr. Lakritz has been the Principal Accounting Officer, Vice President, Corporate Controller of Corsair since 2017. Previously, Mr. Lakritz held Vice President and Chief Accounting Officer positions at other technology manufacturing companies, such as Harmonic Inc. and Trimble Inc. His specialties lie in M&A, software revenue and technical accounting, including IFRS, Sarbanes, Oxley, and business strategy. In 2020, Mr. Lakritz received a base salary of \$263,220, \$70,192, and \$35,096 from the Annual Cash Bonus opportunities, Corporate Performance Factor, and Individual Performance Factor, respectively, and \$189,477 in non-equity incentive plan compensation.



Investment Thesis

Market View

The circumstances of the pandemic have led to a significant increase in the demand for computer components, peripherals, and components. With the expansion of the gaming and streaming industries, Corsair was at the forefront of new consumers, and as a result, saw a significant increase in its revenues, up 71.6% from Q1 2021 to Q1 2020. Net revenue increased 55.2% from 2020, compared to 2019, primarily due to a larger number of consumers gaming and working from home. Supply chain bottlenecks were a short-term risk factor that contributed to a general share price decline in the industry, however, the company is undervalued, considering the market expectations and targets set by management.

Investment Thesis 1– Entrance into New Product Segments

With approximately 25% of employees and contractors working on software solutions, 141 different products were introduced to the market throughout 2021. Over the long term, management believes that Corsair will be able to sustain its growth in new markets via organic growth or acquisition. In the last 18 months, with Corsair’s entry into three new large markets: microphones, cameras, and gaming monitors, there is significant potential for Corsair to capture market share and strengthen its brand loyalty with this expansion. Research and development expenses significantly increased in Q1 2021, with CEO Andy Paul commenting that Corsair plans to invest at a similar pace in product marketing to gain traction within the market.

Investment Thesis 2 – Margin Improvement for Peripherals

Sales of gaming and creator peripherals generate a higher gross margin than sales of system components, with Q1 2021 seeing its gross margin jump 4.8 percentage points over Q1 2020. Corsair’s product shift toward gaming peripherals is an opportunity to expand margins, with revenue growth in peripherals, up 131.9% in Q1 2021, vs. components and systems up 51.9%. The short supply of graphics cards means that there are many gaming enthusiasts, waiting to buy hardware for their personal computers. Jon Peddie Research forecasts that sales of high-end PC gaming hardware could grow at an annual rate of more than 20% through 2025, which bodes well for the market that Corsair is operating in.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

CRSR currently has 94.34 million outstanding shares of common stock. Around 16.2% of the shares are held by institutions, 3.5% of shares are held by insiders, 57.4% are held by Venture Capital and Private Equity firms and 22.9% are held by Other. Its largest 10 shareholders are listed in the table below.

Top 10 Shareholder Base

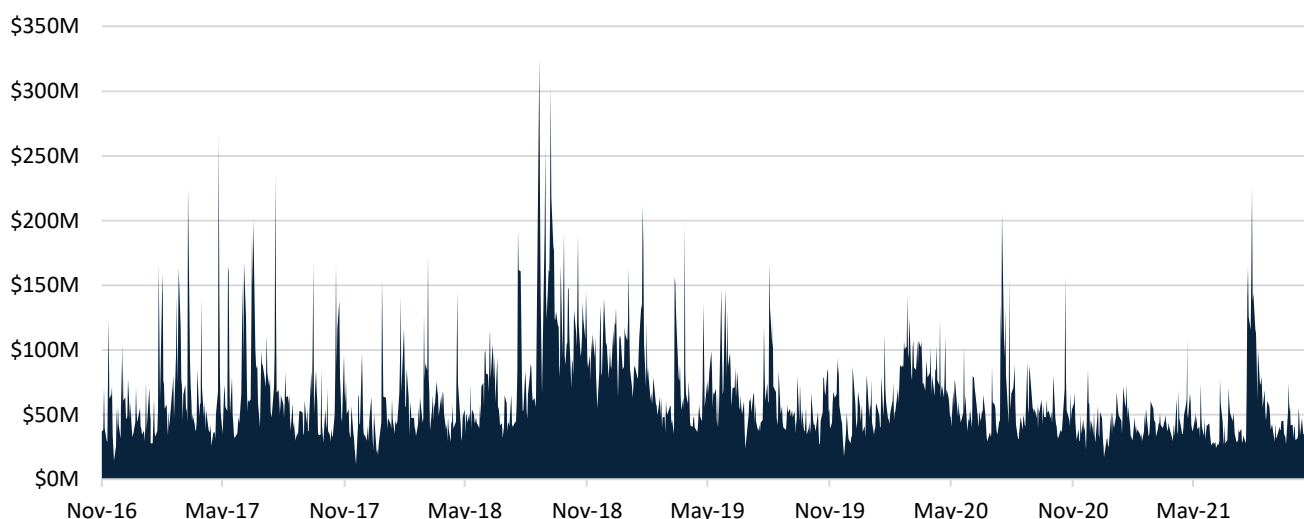
Shareholder	Shares Owned	% of CSO	Market Value
EagleTree Capital, LP	54,179,559	57.428	1191.4
The Vanguard Group, Inc.	3,418,340	3.623	75.2
Paul, Andrew J. (Founder, CEO & Director)	2,584,896	2.74	56.8
BlackRock, Inc. (NYSE:BLK)	1,715,492	1.818	37.7
SignatureFD, LLC	880,439	0.933	19.4
Morgan Stanley, Investment Banking and Brokerage Investments	859,112	0.911	18.9
Bank of America Corporation, Asset Management Arm	809,063	0.858	17.8
Susquehanna International Group, LLP, Asset Management Arm	744,663	0.789	16.4
Millennium Management LLC	732,748	0.777	16.1
Goldman Sachs Group, Investment Banking and Securities Investments	658,684	0.698	14.5
Top 10 Shareholders	66,582,996	70.58	1,464.2

Source: [S&P Capital IQ](#)

Liquidity

The average trading volume from the past year (Jan. 5, 2021, to Jan. 5, 2022) is 2,201,666 shares. The free float is 36.72M out of 94.34M, representing a free float percentage of shares outstanding of 38.9%. We believe that the liquidity risk for Corsair is not significant.

Trading Volume (millions)



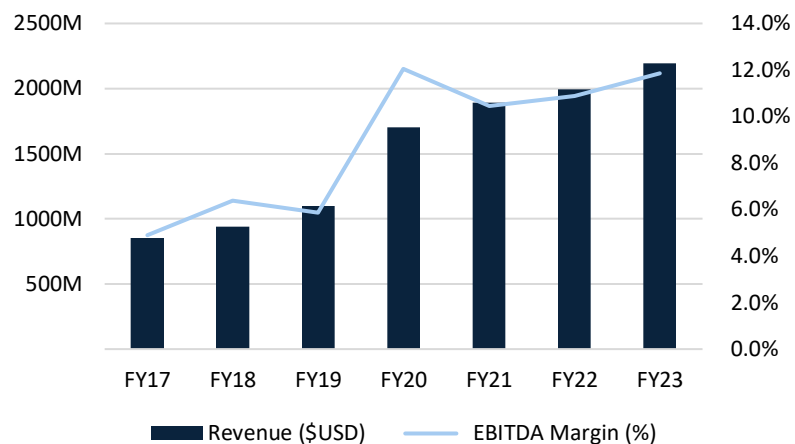
Source: [S&P Capital IQ](#)

Valuation

Discounted Cash Flow Assumptions

Revenue: Corsair's Revenue has grown consistently throughout COVID-19, 83.5% in revenue growth in Gamer and Creator Peripherals in 2020, and 44.8% in revenue growth in Gaming Components and Systems. We expect the peripherals to grow at a constant rate of 20% from 2021-2022 and 15% onwards. We expect the components and systems segment to grow at a constant rate of 15% up until 2021, and 10% onwards. Management believes that the increased demand for products was due to the larger number of consumers gaming and working from home due to the COVID-19 pandemic, in addition to existing customer upgrading their gear.

Historic and Forecasted Revenue and EBITDA Margin
FY17-FY23



Cost of Goods Sold: The cost of goods sold as a percentage of revenue is predicted to be constant at 75%, calculated by taking the weighted average of the past twelve months.

Selling, General, and Administrative Expenses: With the SG&A expense as a percent of revenue consistent over the past twelve months, we assumed that the rate would remain consistent at 14%.

Depreciation and Amortization: To forecast for depreciation, we used a straight-line depreciation method with an estimated useful life of 1.5 years, which is taken through the weighted average of the past 12 months. We assumed that this rate remained constant to forecast future depreciation and amortization indefinitely.

Effective Tax Rate: The effective tax rate is the company's statutory tax rate at 15.4%.

Weighted Average Cost of Capital: The weighted average cost of capital is calculated to be 9.1%. This is calculated using a risk-free rate of 1.47% on the yield-to-maturity of the 5-year United States treasury bill, a beta of 1.06 as listed on Bloomberg, and an expected market return of 8%. We also used a pre-tax cost of debt at 1.6% with an effective tax rate of 30%.

Perpetuity Growth Rate: A perpetuity growth rate of 2% was used for future projections past five years, which we believe is sustainable, given CRSR's dominant market share and competitive advantage within the industry.

Terminal Multiple: A terminal EV/EBITDA multiple of 10.0x was used for future projections past five years, which is CRSR's twelve-month weighted average.

Comparable Companies Analysis

The company comparable analysis compares CRSR with five publicly traded companies that are similar to CRSR's business model, internal processes, and international reach. Our Comparable Companies Analysis Set returns an EV/EBITDA implied price of \$15.74 and a P/E implied price of \$20.17.

Turtle Beach Corporation (NASDAQ: HEAR): Turtle Beach Corporation is a global gaming accessory manufacturer based in San Diego, California. It produces gaming headsets for Xbox One, PlayStation, PC, Nintendo Switch, and mobile devices.

Razer Inc. (HKG:1337): Razer, Inc., is a Singaporean American multinational technology company that designs, develops, and sells consumer electronics, financial services, and gaming hardware.

Logitech International S.A. (SWX: LOGN): Logitech International S.A. was founded in Switzerland and is a leading manufacturer of computer peripherals and software. The company has offices throughout Europe, Asia, Oceania, and the Americas, and is a component of the flagship Swiss Market Index.

Elecom Co., Ltd. (TSE:6750): Elecom Co., Ltd. is a Japanese electronics company that designs, manufactures, and markets computer peripherals, supplies and accessories. The company offers a diverse range of products, including adapters, cables, switches, keyboard covers and chairs.

Dell Technologies Inc. (NYSE: DELL): Dell Technologies Inc. is an American multinational technology company headquartered in Round Rock, Texas. It was formed as a result of the September merger of Dell and EMC Corporation.

Source: [S&P Capital IQ](#)

Recommendation

Outperform - Buy

Based on the analysis conducted, we believe that Corsair Gaming Inc. is undervalued by the market. We believe that CRSR's drivers of improved personal computer setups and the increase in casual gamers have placed the organization in a stable financial position, with significant markets to capture within the coming years. The market for peripherals, components and creator products is predicted to continue growing at historical rates, in which management believes Corsair will continue to increase market share on average of 1% per year due to its proprietary iCue and brand 'stickiness'. Its service offerings such as Gamer Sensei and Corsair Customer Care have the potential to grow rapidly. Taking this qualitative evidence into account, along with historical and projected quantitative factors, we arrived at our implied share price using the following weightings:

- A 20% weighting on the Perpetuity Growth DCF approach which returns an implied share price of \$32.56
- A 20% weighting on the EV/EBITDA Exit Multiple DCF approach which returns an implied share price of \$31.00.
- A 30% weighting on the 2021E EV/EBITDA Implied Share Price method using a Comparable Companies Analysis, returning a share price of \$22.15.

- A 30% weighting on the 2021E P/E Implied Share Price method using a Comparable Companies Analysis, returning a share price of \$28.62.

Using the above weighting, we have arrived at a target share price of \$27.94, representing an implied upside of 52.4%. We initiate an Outperform - Buy rating on Corsair Gaming Inc.

Risks

Dependence on Success of Third-Party High-Performance Computer Hardware

The functionality of some of Corsair's gear depends on the company's ability to integrate that gear with hardware and operating systems released by Intel, AMD, NVIDIA, etc. Corsair relies, to a certain extent, on the relationships it has with those companies in developing gear and resolving issues. Ultimately, the introduction of more powerful GPUs, CPUs, and similar computer hardware directly increases demands on other system components, such as memory, PSUs, or cooling. The manufacturers of those products are large, public, independent companies that are not influenced or controlled by Corsair. As a result, business results can be materially fluctuated by the frequency with which high-performance hardware products are released by these companies. If computer hardware companies do not continue to regularly introduce new and enhanced GPUs, CPUs and other products, Corsair's business may be seriously harmed. The risk of this

Entrance of Cloud Computing

Cloud computing refers to computing environments in which software is run on third-party servers and accessed by end-users over the internet. Users have the option to utilize cloud computing environments with minimal processing power and the need for high-performance components which Corsair typically provides for alternative systems. With cloud computing granting users, the ability to play graphically sophisticated games that they may not be able to otherwise play on a PC with hardware, the demand for high-performance memory, prebuilt and custom gaming PCs and components will diminish. Thus, the continuous adoption of the cloud environment may pose a risk in the coming years.

Competition

The Corsair Brand itself is one of the company's most valuable assets, in which Elgato, Origin, and SCUF brands, are also proprietary technology that plays a significant role in maintaining Corsair's position within the market. Its future success is highly dependent to a large degree upon the company's ability to defend the Corsair brand and proprietary technology. Corsair relies on a combination of copyright, trademark, patent and other intellectual property laws and confidentiality procedures

to protect its property. As trademark registration is only held on certain brands in the United States, Australia, and New Zealand, such brands do not have trademark protection in other parts of the world. This yields the potential risk of third parties misappropriating or infringing on Corsair's brands and software. As some of Corsair's products also rely on software licensed by third parties under open-source licenses, this may entail risks related to security vulnerabilities.

High Dependence on the Growth of Streaming and E-Sports

Over the past two decades, gaming has grown from a niche industry to a significant segment of the global entertainment industry. As Corsair generates a sizable portion of its net revenue from gaming-related gear, any slowdown or transition away from conventional gaming may adversely affect the business. Corsair currently has no plans to attract gamers who only use mobile devices or tablets or plans to develop gear specifically for this audience. There is no assurance that the active demographics in gaming will continue to buy into and drive the growth in gamer culture.

Appendix 1: Model Summary

	Dec-18	Dec-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
(Figures in mm USD)	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Income Statement													
Revenue	937.6	1,097.2	1,702.4	529.4	472.9	391.1	649.3	2,042.8	2,317.1	2,590.9	2,865.8	3,172.9	3,516.2
EBITDA	27.5	31.1	167.7	69.7	39.7	18.3	71.4	199.1	185.4	336.8	372.6	412.5	457.1
Net Income	(13.7)	(8.4)	103.2	46.7	27.7	1.8	40.1	116.4	110.9	235.9	266.2	299.0	335.0
Earnings Per Share	\$ (0.18)	\$ (0.11)	\$ 1.14	\$ 0.47	\$ 0.28	\$ 0.02	\$ 0.40	\$ 1.16	\$ 1.11	\$ 2.36	\$ 2.66	\$ 2.99	\$ 3.35
Cash Flow Statement													
Acquisitions	(30.2)	(126.1)	(1.3)	(1.7)	-	-	(0.8)	(2.5)	(3.2)	(1.0)	(1.0)	(1.0)	(1.0)
Divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(85.0)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Payout to Earnings	-619.5%	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payout to Core FCF	365.1%	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Yield	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance Sheet													
Current Assets	-	429.8	691.0	711.6	732.0	708.1	493.5	493.5	532.6	480.8	508.6	538.7	571.0
Non-Current Assets	-	629.9	623.1	621.8	646.4	633.6	631.4	631.4	626.1	622.2	620.4	619.6	619.3
Assets	-	1,059.7	1,314.1	1,333.4	1,378.4	1,341.7	1,125.0	1,125.0	1,158.7	1,104.0	1,130.4	1,160.0	1,192.0
Current Liabilities	-	299.9	505.4	499.3	494.0	475.6	771.0	771.0	911.6	846.8	835.8	924.9	1,024.5
Non-Current Liabilities	-	543.0	371.3	346.5	354.7	329.1	329.1	329.1	329.1	329.1	329.1	329.1	329.1
Liabilities	-	842.9	876.7	845.7	848.7	804.7	1,100.1	1,100.1	1,240.7	1,175.9	1,165.0	1,254.0	1,353.6
Shareholders' Equity	-	216.8	437.4	487.7	529.7	537.0	577.1	577.1	688.1	924.0	1,190.2	1,489.1	1,824.2
Cash	-	48.2	129.5	121.6	134.6	71.9	(310.6)	(310.6)	(626.7)	(707.9)	(899.4)	(1,131.7)	(1,414.1)
Debt	-	(48.2)	(129.5)	(121.6)	(134.6)	(71.9)	310.6	310.6	626.7	707.9	899.4	1,131.7	1,414.1
Net Debt	-	(48.2)	(129.5)	(121.6)	(134.6)	(71.9)	310.6	310.6	626.7	707.9	899.4	1,131.7	1,414.1
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	-	n/a	n/a	-	-	-	-	1.7 x	2.3 x	1.5 x	1.2 x	1.0 x	0.9 x
Operating Metrics													
Return on Equity (ROE)	-	-3.87%	23.60%	-	-	-	-	20.16%	16.12%	25.53%	22.37%	20.08%	18.37%
Return on Assets (ROA)	-	-	-	-	-	-	-	-	-	-	-	-	-
Return on Invested Capital (ROIC)	-	-5.0%	33.5%	-	-	-	-	-	-	-	-	-	-
Valuation Metrics													
Stock Price (High)	-	-	\$ 51.26	\$ 45.99	\$ 36.00	\$ 32.81	\$ 18.34	\$ 45.99	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34
Stock Price (Low)	-	-	\$ 15.58	\$ 30.80	\$ 30.71	\$ 25.61	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34
Stock Price (Average)	-	-	\$ 33.42	\$ 38.40	\$ 33.36	\$ 29.21	\$ 18.34	\$ 32.17	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34	\$ 18.34
Diluted Shares Outstanding (Average)	75.5	76.2	90.6	100.2	100.1	100.0	100.0	100.1	100.0	100.0	100.0	100.0	100.0
Market Capitalization (Average)	-	-	3,027.1	3,847.6	3,338.0	2,922.2	1,834.8	3,219.5	1,834.8	1,834.8	1,834.8	1,834.8	1,834.8
Enterprise Value (Average)	-	(48.2)	2,897.5	3,726.0	3,203.4	2,850.3	2,926.7	2,928.0	3,242.8	3,324.0	3,515.4	3,747.8	4,030.2
P/E	-	-	29.3 x	-	-	-	-	27.7 x	16.5 x	7.8 x	6.9 x	6.1 x	5.5 x
EV/EBITDA	-	n/a	17.3 x	-	-	-	-	15.8 x	11.7 x	6.9 x	4.6 x	3.3 x	2.5 x
FCF Yield to Market Capitalization	-	-	5.4%	-	-	-	-	-9.9%	-4.4%	2.5%	10.0%	16.5%	18.3%
FCF Yield to Enterprise Value	-	-102.0%	5.7%	-	-	-	-	-	-	-	-	-	-
Free Cash Flow													
EBIT	21.8	23.7	158.4	67.3	34.7	10.8	68.5	181.3	176.9	331.9	369.8	410.7	455.8
Tax Expense	(3.0)	5.0	(18.8)	(13.2)	(2.3)	(0.4)	(10.5)	(27.9)	(27.2)	(51.1)	(56.9)	(63.2)	(70.2)
D&A	5.7	7.4	9.3	2.4	4.9	7.6	2.9	17.9	8.5	5.0	2.8	1.8	1.3
Changes in NWC	(25.5)	13.0	14.9	(32.5)	(10.5)	(56.9)	(62.9)	(474.7)	(312.9)	(239.0)	(131.9)	(46.1)	(51.5)
Unlevered Free Cash Flow	(1.1)	49.1	163.8	24.1	26.8	(38.9)	(294.1)	(317.6)	(81.6)	46.7	183.7	303.2	335.4
Valuation Summary													

Current Price	\$ 18.34
Target Price	\$ 27.94
Total Return	52.4%
Recommendation	BUY

DCF Valuation	
Perpetuity Growth Implied Price	\$ 33.21
Exit Multiple Implied Price	\$ 31.17
Comps Valuation	
Comps - EV/EBITDA Implied Price	\$ 22.15
Comps - P/E Implied Price	\$ 28.62

Appendix 2: Discounted Cash Flow Analysis

	Dec-18	Dec-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
(Figures in mm USD)	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
WACC Calculations													
Cost of Equity													
Risk-free rate	1.5%												
Expected market return	9.9%												
Market Risk Premium	8.4%												
Beta	1.00												
Cost of Equity	9.94%												
Cost of Debt													
Pre-tax cost of debt	1.5%												
Debt Adjustment Factor	1.62												
Effective tax rate	15.4%												
Cost of Debt	2.03%												
WACC													
Market value of equity	1,834.8												
Market value of debt	248.8												
Total Capitalization	2,083.6												
Cost of equity	9.9%												
Cost of debt	2.0%												
WACC	9.0%												
Free Cash Flow													
EBIT	21.8	23.7	158.4	67.3	34.7	10.8	68.5	181.3	176.9	331.9	369.8	410.7	455.8
Less: Tax expense	(3.0)	5.0	(18.8)	(13.2)	(2.3)	(0.4)	(10.5)	(27.9)	(27.2)	(51.1)	(56.9)	(63.2)	(70.2)
Add: Depreciation and amortization	5.7	7.4	9.3	2.4	4.9	7.6	2.9	17.9	8.5	5.0	2.8	1.8	1.3
Less: Change in net working capital	(25.5)	13.0	14.9	(32.5)	(10.5)	(56.9)	(374.9)	(474.7)	(312.9)	(239.0)	(131.9)	(46.1)	(51.5)
Unlevered Free Cash Flow	(1.1)	49.1	163.8	24.1	26.8	(38.9)	-294.1	-317.6	-81.6	46.7	183.7	303.2	335.4
Discount factor				-	-	-	0.25	0.25	1.25	2.25	3.25	4.25	5.25
Present Value of Unlevered Free Cash Flow				-	-	-	(287.8)	-310.8	-73.3	38.5	138.8	210.2	213.4
Discounted Cash Flow Valuations													

Perpetuity Growth Method		Exit Multiple Method	
Perpetuity Growth Rate	2.0%	Terminal EV/EBITDA Multiple	10.0 x
PV sum of unlevered FCF	387.4	PV sum of unlevered FCF	387.4
Terminal value	3,111.8	Terminal value	2,908.269
Enterprise Value	3,499.2	Enterprise Value	3,295.6
Add: Cash	71.9	Add: Cash	71.9
Less: Debt	248.8	Less: Debt	248.8
Less: Other EV adjustments	-	Less: Other EV adjustments	-
Equity Value	3,322.2	Equity Value	3,118.7
Shares outstanding	100.0	Shares outstanding	100.0
Implied Share Price	\$ 33.21	Implied Share Price	\$ 31.17
Current Price	\$ 18.34	Current Price	\$ 18.34
Implied Price	\$ 33.21	Implied Price	\$ 31.17
Total Return	81.1%	Total Return	70.0%

		WACC				
		10.20%	9.70%	9.20%	8.70%	8.20%
Perpetuity Growth Rate	1.00%	\$ 23.94	\$ 25.88	\$ 28.07	\$ 30.55	\$ 33.39
	1.50%	\$ 25.32	\$ 27.47	\$ 29.90	\$ 32.68	\$ 35.88
	2.00%	\$ 26.88	\$ 29.26	\$ 31.98	\$ 35.11	\$ 38.76
	2.50%	\$ 28.63	\$ 31.30	\$ 34.37	\$ 37.95	\$ 42.16
	3.00%	\$ 30.64	\$ 33.64	\$ 37.15	\$ 41.27	\$ 46.20
		WACC				
		10.20%	9.70%	9.20%	8.70%	8.20%
Terminal EV/EBITDA Multiple	8.0 x	\$ 23.78	\$ 24.42	\$ 25.08	\$ 25.76	\$ 26.46
	9.0 x	\$ 26.53	\$ 27.24	\$ 27.96	\$ 28.71	\$ 29.48
	10.0 x	\$ 29.27	\$ 30.05	\$ 30.84	\$ 31.66	\$ 32.50
	11.0 x	\$ 32.02	\$ 32.86	\$ 33.72	\$ 34.61	\$ 35.52
	12.0 x	\$ 34.76	\$ 35.67	\$ 36.60	\$ 37.56	\$ 38.54

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