

DESK NOTE

14.02.2025

Corsair Gaming (CRSR US) – Not Worth The Chase: Relying On Industry-wide Tailwinds

Conclusive Summary: We remain neutral on CRSR following its post-earnings rally and would look for a more attractive entry point below current levels.

While the company's +20% gain after 4Q24 earnings reflects optimism, **we view it as an overreaction given the lack of company-specific catalysts.** Corsair's growth outlook is **largely dependent on broader industry trends**, particularly the expected hardware refresh cycle and NVIDIA's upcoming GPU launch in 1Q25. However, with revenues not projected to exceed FY21 levels until FY29 and EPS remaining below FY20 levels, Corsair does not present a compelling growth story at this stage, absent a significant rally in the gaming hardware market. Additionally, **the company does not appear to have an edge in the fragmented and highly competitive gaming and content creation hardware markets.** Our **target price of \$16**, reflecting a +28% upside from current levels, **assumes industry-wide tailwinds, which we are not confident in relying on. We suggest revisiting CRSR around \$10.**

Competitive Position: operates in a **highly competitive and fragmented market**, facing rivals across gaming peripherals, PC components, and content creation hardware. It **differentiates itself through an integrated ecosystem of premium hardware and proprietary software**, such as iCUE for system-wide customization and Elgato's suite for streamers. Unlike competitors like Logitech and Razer, which focus primarily on peripherals, or ASUS and NZXT, which emphasize PC components, Corsair offers a comprehensive portfolio that spans both segments, fostering brand loyalty among gamers, PC builders, and content creators. Its direct-to-consumer (DTC) strategy, and strong brand recognition allows it to maintain a premium positioning despite pricing pressures from lower-cost competitors. However, Corsair remains vulnerable to supply chain disruptions and increasing competition from both established gaming brands and large tech companies expanding into the space.

Valuation: Using a combination of multiple and DCF valuation, **we reach a blended target price (TP) of \$16, +28% above current levels**, assuming industry-wide tailwinds materialize, commanding multiples at the higher end of its historical range. We expect CRSR to trade inline with industry peers after the +20% post-4Q24 earnings rally. The stock is trading at the mid and upper end of its 2-year multiple averages. **We recommend avoiding CRSR and revisiting at \$10.**

Ticker: CRSR US

Previous day close price: \$12.51

Price range (52w.): \$5.59 - \$13.83

Reason for note: PM Request

Target price: \$16 (+28% upside)

Recommendation: **Avoid**

Description: Corsair Gaming, Inc. is a global provider of high-performance gaming and streaming hardware designed for gamers, content creators, and PC enthusiasts. The company operates across two main business segments:

- **Gamer and Creator Peripherals (25% of Revenue)**, which include gaming keyboards, mice, headsets, controllers, and streaming accessories
- **Gaming Components and Systems (75%)**, which consist of power supplies, cooling solutions, memory, computer cases, and prebuilt gaming PCs.

Corsair differentiates itself through proprietary software integration, such as iCUE for peripherals and the Elgato ecosystem for content creators, offering a seamless user experience. Its products are sold through retail, e-commerce, and direct-to-consumer (DTC) channels, including its own online store and acquired brands like Origin PC, SCUF Gaming, and Drop. With a strong global distribution network and a focus on innovation, Corsair aims to expand its market presence, enhance customer engagement through software-driven solutions, and maintain its position as a premium brand in the gaming and content creation industry.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Rev	1.1	1,510	1,812	64	1,748	104.7	\$16.69
EV/EBIT	20	85	1,389	64	1,639	104.7	\$15.66
Avg. Multiple Price							\$16.17
Avg. DCF Price							\$15.68
Avg. Multiple & DCF Price							\$15.92

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Earnings Preview:

CRSR	Expected Report Date		Next FY End	Preview Date
CORSAIR GAMING INC	5/7/2025	?	12/31/2025	2/14/2025
Quarterly Preview		Last Q Report		
Last Close	Estimate	11/6/2024		
12.51	Q1	2024 Q4		Year Ago
		% Surprise		
Sales, \$ mil.	368	414	6.02%	417
growth	qoq	-10.9%	yoy	-11.7%
EBITDA, \$ mil.	21	21	20.96%	27
growth	qoq	-2.8%	yoy	-22.2%
Net Income, \$ mil.	13	3	43.61%	8
growth	qoq	324.0%	yoy	60.9%
EPS, \$	0.12	0.03	43.75%	0.07
growth	qoq	357.5%	yoy	54.8%
EPS GAAP, \$	-0.02	0.01	-73.68%	0.06
growth	qoq	-260.0%	yoy	-126.7%
Valuation	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	0.92	0.68	0.92	1.16
EV to Forward 12M EBITDA	14.66	8.78	12.03	15.27
Price to Forward 12M EPS	23.04	12.33	18.42	24.51
EV/Sales	Fairly Priced			
EV/EBITDA	Slightly Overpriced			
PE	Slightly Overpriced			
Total Rating on Valuation	Fairly Priced			

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