



HKSE: 1263

栢能集團有限公司

PC Partner Group Limited

June 2022 Final Results Presentation

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1H 2022 Financial Summary



HK\$'000	1H 2022	1H 2021	2021	2020	2019	2018	2017
Revenue	6,607,825	6,849,280	15,459,055	7,761,758	7,556,477	9,122,319	8,555,368
Gross Profit	1,365,816	1,864,084	4,287,162	795,355	516,314	957,445	915,971
Gross Profit Margin	20.7%	27.2%	27.7%	10.2%	6.8%	10.5%	10.7%
Profit Attributable to Owners of the Company	802,129	932,156	2,376,320	207,276	10,266	270,843	332,293
Net Profit Margin	12.1%	13.6%	15.4%	2.7%	0.1%	3.0%	3.9%
Basic Earning per Share (HK\$)	2.070	2.469	6.140	0.560	0.030	0.660	0.760
Dividend	0.800	0.840	2.450	0.220	0.000	0.275	0.320
Dividend Payout Ratio	38.6%	34.0%	39.9%	39.3%	0.0%	41.7%	42.1%

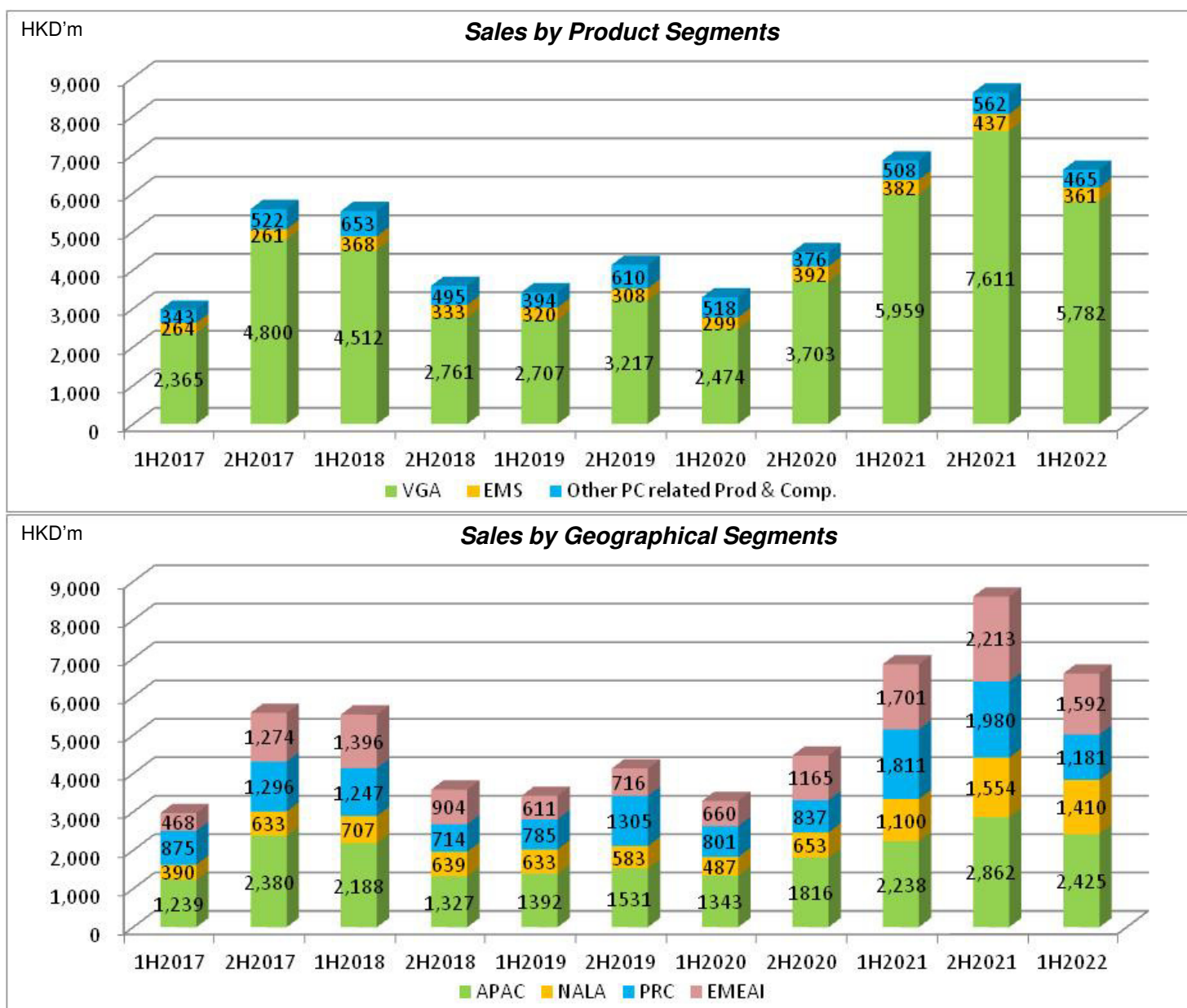
1H 2022 Highlight



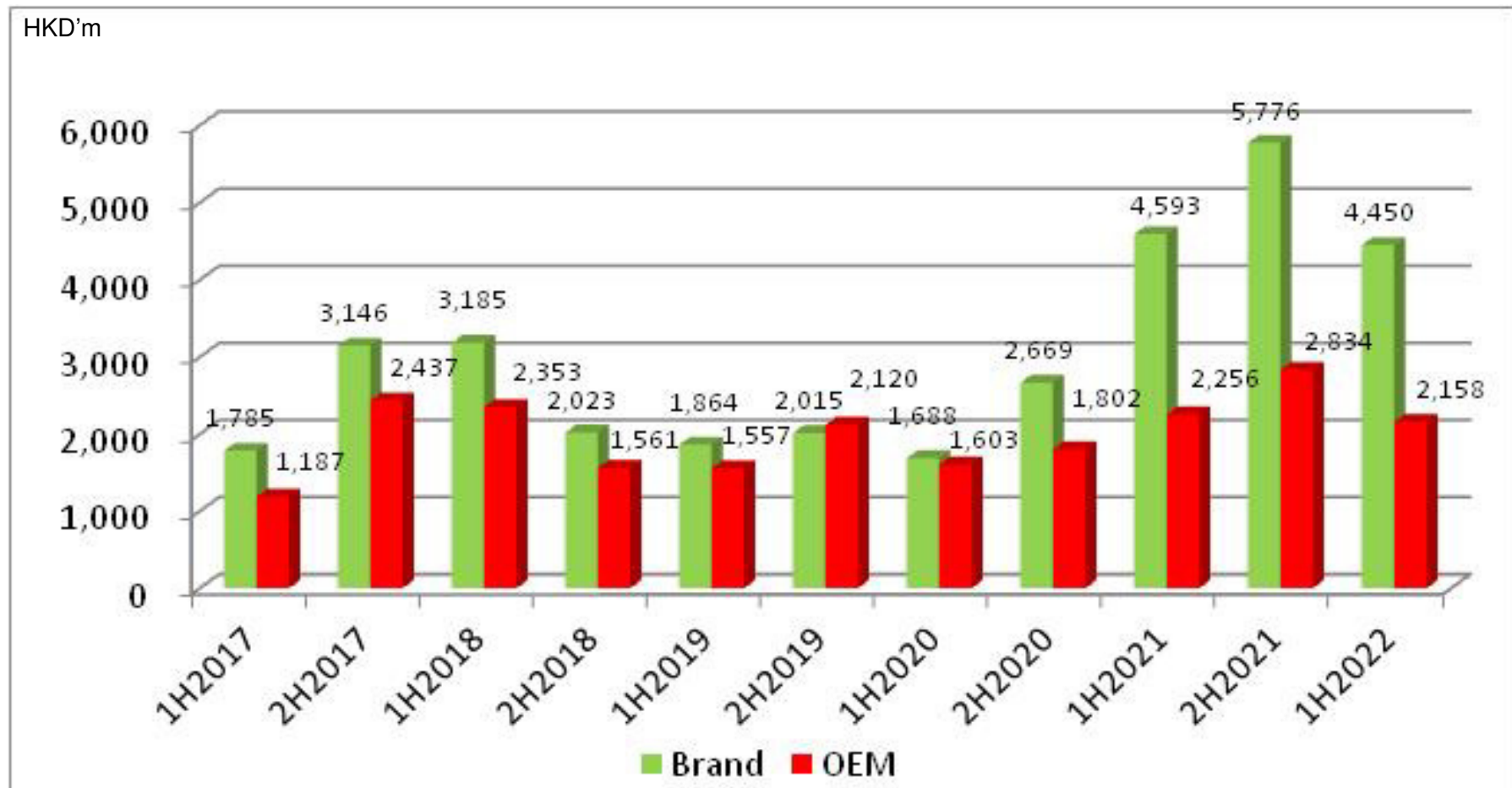
- Sales decline across all business segments, sales of CMP cards dropped the most by HK\$259m or 95% to HK\$15m in 1H2022
- Sales under EMEAI and PRC regions dropped by 6% and 35% respectively which mostly associated with the war in Ukraine and China lockdowns. Both APAC and NALA regions demonstrated increase of 8% and 28% respectively
- Revenue split between Q1 & Q2 was 53% and 47%
- Decrease in gross profit margin due to price promotion offered to customers under brand businesses
- Full impairment of the JV for a loss of HK\$40.5m in 1H2022
- OPEX decreased by HK\$418m (included HK\$314m of impairment loss) due to lower spending on freight & transportation costs as well as less provision of staffs performance bonus
- Decline of GP% partially offset by lower OPEX resulted in net profit margin declined from 13.6% in 1H2021 to 12.1% in 1H2022
- Inventories increased by HK\$665m to HK\$2,177m as at 30 June 2022; inventory turnover days increased 40 days by Dec21 to 64 days by Jun22
- Trade receivables remained at HK\$1.2B by end of Dec21 & Jun22; however, trade receivables turnover days increased from 31 days by Dec 21 to 34 days by Jun22
- Net cash decreased by HK\$3.1B by Dec21 to HK\$2.1B by Jun22



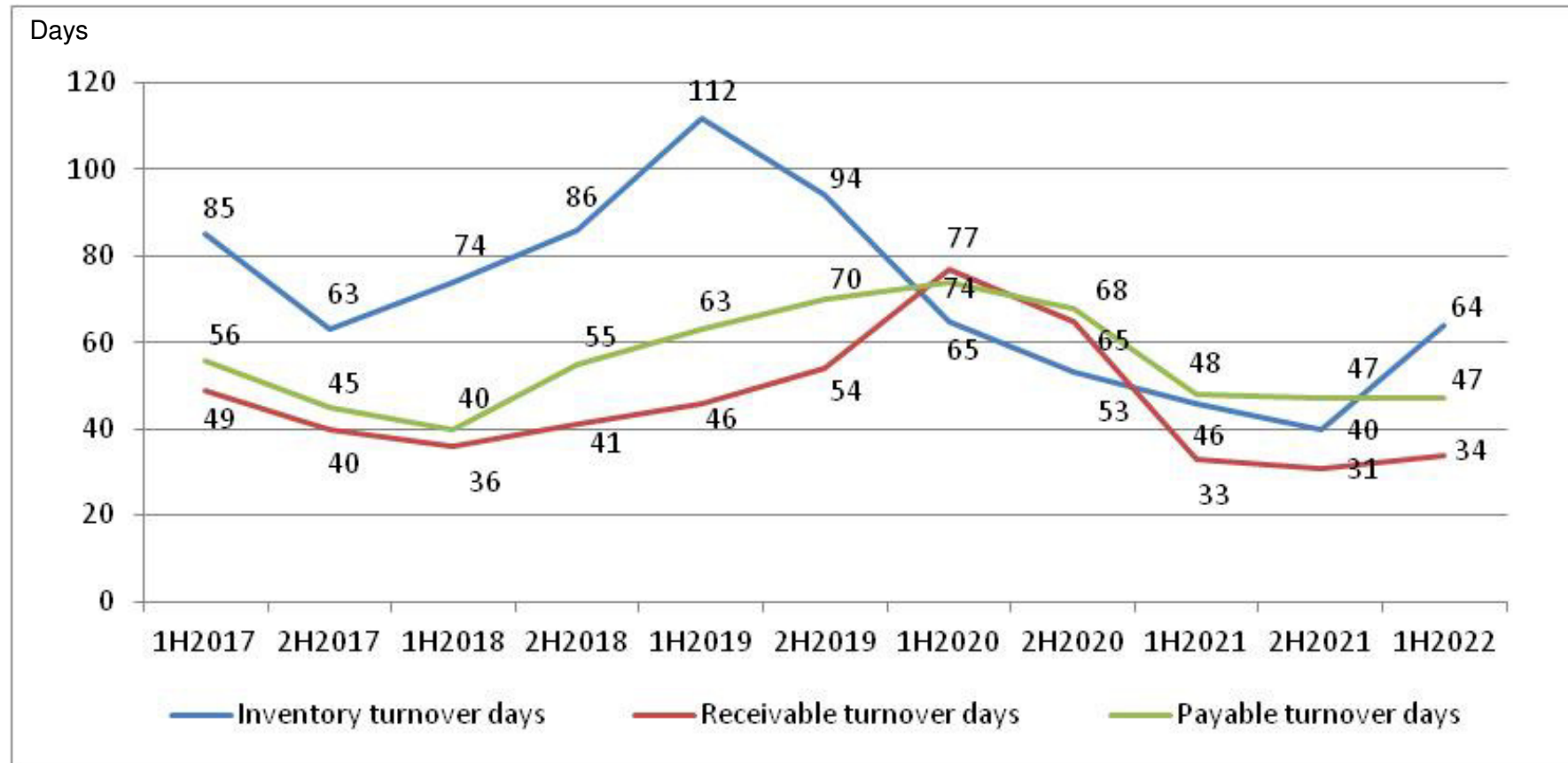
Sales by Product & Geographical Segments



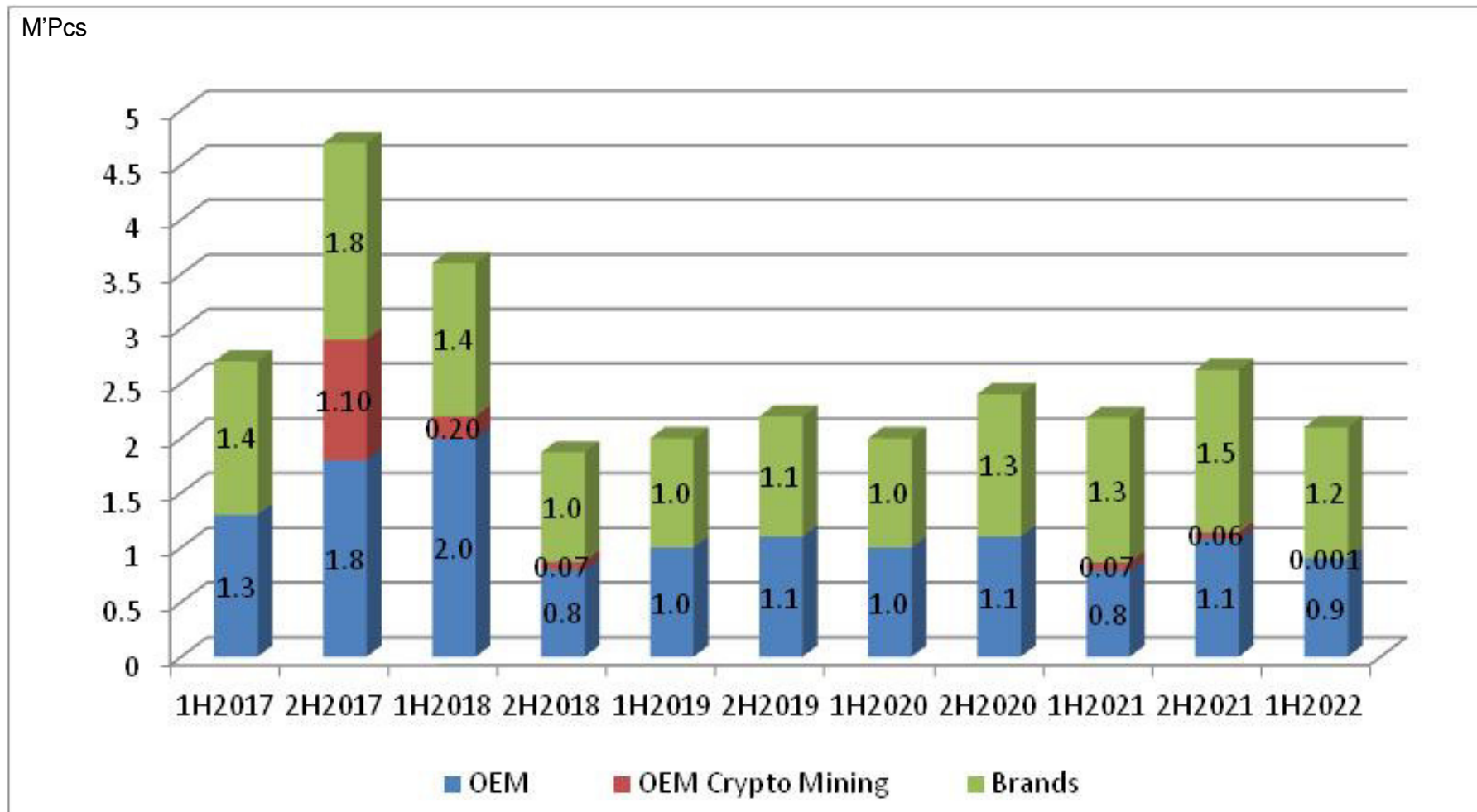
Sales of Brand & OEM Business



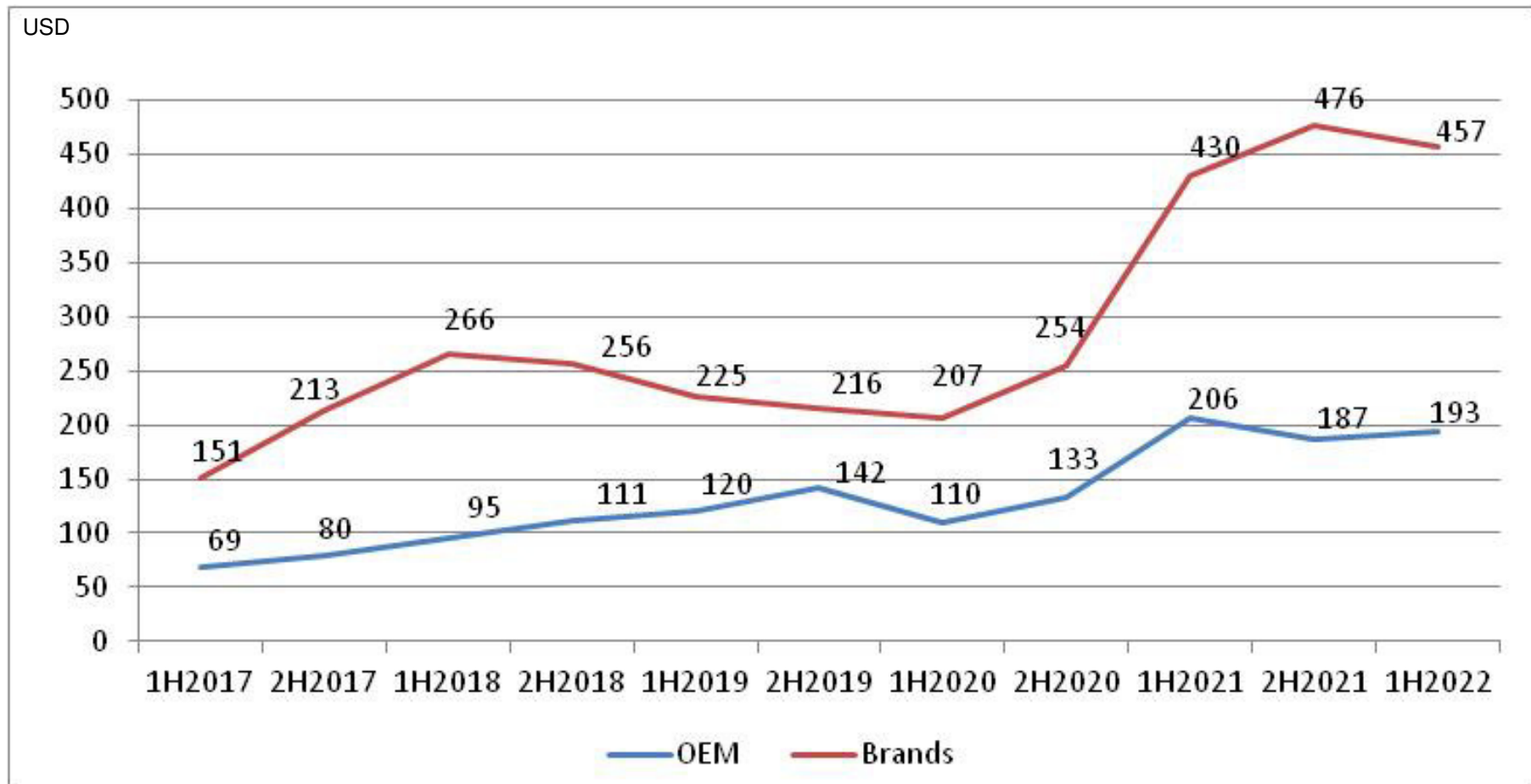
Working Capital Indicators



Sales Quantity of VGA Cards



Average Selling Price (ASP) of Brand/OEM VGA Cards PCPartner



Remark: ASP of OEM excluded CMP cards

Q3 2022 Business Outlook



- A slow quarter, revenue is expected to drop significantly from Q2
- Gaming market is very slow, consumer may save up under the current economic situation or spend on something else instead of buying computer hardware
- Channel customers are very conservative on inventory intake
- Excessive inventory in the market but not due to second hand cards from crypto mining
- Price promotion with Nvidia's market funds to stimulate sales of high end VGA cards started from July; latest market prices of high end VGA cards fall below MSRP
- Game bundle program with high end VGA cards to drive demand from September
- Low end to mid range VGA cards are the more affordable segment so that price pressure is not as much as high end cards, prices are still above MSRP
- Gaming desktop business is tough with excessive laptop/PC inventories in the market which may affect upcoming OEM orders of VGA cards
- Minimize intake of chips & materials and to reduce on hand inventory level

- Sales performance is expected to improve in Q4 due to
 - *new generation of VGA cards launch*
 - *expect holiday seasons generate higher sales demand*
 - *channel customers more willing to stock up inventories for holiday promotions*
- Continue to clear RTX 30 series high end cards in Q4 if unable to sellout all in Q3; may face further price pressure of RTX 30 series inventory with replacement of RTX 40 series coming to the market in Q4
- Expecting ASP rebound from Q3 with new 40 series VGA cards launch in Q4
- Reduce intake of mid-range RTX 30 series GPUs in order to get prepare for RTX 40 series launch in Q1 next year
- Sales of EMS and other business lines are relatively stable and usually perform better in the last quarter

2H2022 Overall Expectations



- High interest rate with strong US Dollar, high inflation and high level of inventory in the market may likely continue to harm the business in second half
- Sales performance believes to be worse than first half with a slow Q3 even thru Q4 is expecting a rebound
- Profit margin coming down with price cut to clear graphics cards inventories but new generation of VGA cards launch shall help to improve profit margin
- Project a lower inventory level by end of the year and inventory turns shall improve
- Cash turnaround cycle may be longer but cash on hand remains strong
- Full impairment on the interest of the JV, still communicating with local government of future arrangement
- Don't expect any major one-off impairment loss in 2022

U.S. orders restricts sale of AI chips to China



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- Restriction is only applied to the AI GPUs for HPC, servers and data centers
 - No impact to gaming GPUs and Quadro GPUs under professional visualization business segments



Q&A Thank You

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