Company Update ▪ Singapore

PC PARTNER GROUP LTD

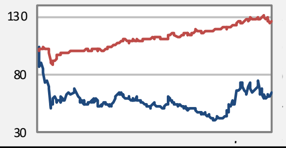
(PCPG SP/PCT.SI)

Pricing Power and Cleaner Cash Flow Lens

Chong Ting Shuo / 65 6202 1192 / tingshuo.chong@kgi.com

- **FY25 landed well ahead of our initiation case.** Revenue rose 38.4% YoY to HK$13.95bn, making FY25 PCP's second highest revenue year and third highest profit year on record. Brand revenue grew 67.3% and VGA revenue rose 50.0%, more than offsetting softer non brand and other PC lines.
- **Management's FY26 double digit sales outlook initially looked aggressive.** Brand VGA ASP was already US$493 in 1H25 and US$452 in 2H25, while formal guidance only points to around US$500 in FY26. We now think this should be read as a floor, not a ceiling, given management is minimizing MSRP models, exiting low end SKUs and pushing premium boards harder.
- **The 2026 setup is polarized, not uniformly weak.** Memory and component inflation should pressure entry and mid-range upgrades, but scarce premium Blackwell allocation supports realized pricing. RTX5090 already contributed HK$1.69bn, or 16% of own brand VGA revenue in FY25, which supports our view that the high-end customer is less price sensitive than feared.
- **Raise FY26 revenue growth forecast to +12.3% from -15.2%.** Just as importantly, we think the probability of a 2022 and 2023 style revenue collapse after FY26 is now lower, with the next consumer GPU refresh wave likely to start building again into 2H27 in our base case.
- **While our operating forecasts are stronger, the DCF valuation declines to S$2.60 from S$3.39.** We now exclude the funding benefit from import loans in FCFF. On a 50:50 blend of DCF and DDM, our revised target price increases to S$2.54 from S$1.73.

Outperform - Company Update			
Price as of 17 Mar 26 (SGD)	1.34	**Performance (Absolute)**	
12M TP ($)	2.54	1 Month (%)	-2.2
Previous TP ($)	1.73	3 Month (%)	54.3
Upside, incl div (%)	96.6%	12 Month (%)	-32.6
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	520		
Issued Shares (mn)	388		
Vol - 3M Daily avg (mn)	1.6		
Val - 3M Daily avg ($mn)	2.1		
Free Float (%)	50.7%		
Major Shareholders		**Previous Recommendations**	
Wong Shik Ho	14.3%	7-Jan-26	1.73
Wong Fong Pak	7.1%		
Leung Wah Kan	6.5%		



Valuation & Action: We maintain **Outperform** and raise our 12-month TP to **S$2.54** from S$1.73. Better mix and pricing support FY26 growth, while our revised DCF now uses a stricter FCFF definition that strips out the import loan funding benefit.

Risks: Weaker than expected sell through after price hikes, tighter GPU allocation, deeper OEM and ODM weakness, and a slower handoff into the next cycle. The Section 301 tariff item also remains unresolved.

Financials & Key Operating Statistics

YE Dec (HKD$'Millions)	2024	2025	2026F	2027F	2028F
Revenue	10,082	13,952	15,667	15,154	18,154
Net Income	261	496	1,092	722	880
EPS (HKD)	0.67	1.28	2.81	1.86	2.27
EPS growth (%)	335.3%	90.1%	318.7%	-33.8%	21.8%
DPS (HKD)	0.40	0.40	0.61	0.65	0.79
Div Yield (%)	5.0%	5.0%	7.7%	8.2%	10.0%
Net Profit Margin (%)	2.6%	3.6%	7.0%	4.8%	4.8%
Net Debt/ (Net Cash) Gearing (%)	-49.0%	-34.6%	-55.9%	-76.0%	-68.2%
ROA (%)	5.2%	7.8%	14.3%	9.1%	10.6%
ROE (%)	9.1%	15.5%	26.9%	16.0%	17.3%

Source: Company data, KGI Research

Industry Outlook

The external setup for 2026 is awkward for unit demand but constructive for ASPs and mix. Nvidia launched the GeForce RTX 5090 at US$1,999, and recent company messaging has acknowledged that gaming GPU supply constraints should remain a headwind beyond the March quarter. Separately, we now see memory and CPU inflation as sufficient to lift mainstream notebook prices by nearly 40%. In plain terms, the consumer PC build becomes more expensive just as gaming GPU supply tightens.

We do not think that hurts every price band equally. Entry and mid-range demand is the most exposed because total system affordability matters most there. By contrast, scarce high-end cards should retain better pricing discipline, particularly when vendors prioritize premium cooler designs and factory overclocked boards over MSRP SKUs. That is the part of the stack where PCP is leaning harder in FY26.

Figure 1: 2026 industry setup points to weaker volume but stronger premium pricing

Modeling Assumptions	Observation	Implication for PC Partner
Consumer build cost inflation	Management highlighted 30% to 40% higher total gaming PC build cost, while third party industry checks point to sharply higher memory and CPU prices into 2026.	Entry and mid-range upgrades should soften first, particularly in price sensitive channels.
Tighter gaming GPU allocation	Nvidia has flagged gaming supply constraints, and management expects gaming GPU allocation in 2026 to be below 2025 as resources continue to shift toward AI chips.	Unit growth becomes harder, but scarcity supports better realized pricing on the allocation that does arrive.
Premium mix still monetizable	RTX5090 launched at US$1,999 and already contributed HK$1.687bn, or 16%, of FY25's own brand VGA revenue.	The high-end customer is proving more resilient than the broad desktop market, which favors PCP's planned mix upgrade.

Source: KGI Research

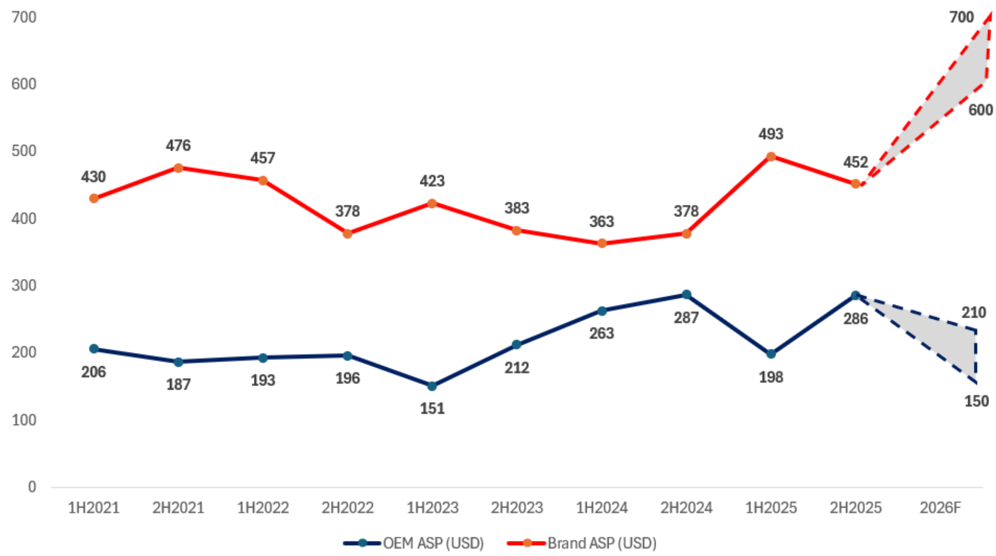
This is why we are less negative on PC Partner than on the broader PC gaming market. The group is not trying to maximize boxes shipped in FY26. It is trying to maximize gross profit and revenue per unit of scarce allocation. That distinction matters materially for both the P&L and valuation framework.

Company Outlook

Management's formal FY26 outlook calls for double digit revenue growth, own brand VGA ASP around US$500, higher gross margin, lower year-end inventory and strong cash inflow. On a static reading, that ASP commentary did not seem enough to support double digit group growth, especially with OEM and ODM VGA expected to remain tough and the other business lines broadly stable. The earning call, however, gives us the missing bridge.

PC Partner is explicitly minimizing MSRP cards, discontinuing low end models below ~US$100 and leaning into premium boards where realized pricing is strongest. In other words, management is not using price merely to offset cost inflation. It is actively redesigning the own brand portfolio toward a richer mix. We think that makes the US$500 ASP framing conservative rather than aggressive.

Figure 2: PC Partner VGA Cards ASP



Source: Company Data, KGI Research

The chart above reinforces our point. Brand ASP ended FY25 at US$452 in 2H25 after peaking at US$493 in 1H25. We think the key is not the headline level alone, but the mix within the stack. The RTX5090 contribution in FY25 shows that premium buyers are still willing to absorb higher pricing when supply is constrained and performance leadership matters. As a result, we revise FY26 revenue growth to +12.3% from -15.2% in our model.

Figure 3: FY26 outlook and revenue growth assumptions

Revenue Segment	FY26 direction	Remark
Own brand VGA	Up double digits	Pricing and premium mix should offset lower GPU allocation. This remains the main earnings driver.
OEM and ODM VGA	Down	Management expects a tougher year as supply tightens, and some customers must procure memory themselves.
EMS	Flat	No major new programs were highlighted, so we assume steady but low growth contribution.
Other PC related and Mini PC	Flat	No major new project pipeline was flagged for FY26.
AI server	Immaterial	Strategically interesting, but management itself guides to minimal revenue contribution this year.

Source: Company Data, KGI Research

We also lower our concern around a post FY26 air pocket. Our base case now assumes FY27 is supported by continued premium mix and an early build toward the next GPU refresh wave in 2H27. This is not a heroic volume call. It simply means we **no longer model a collapse back toward 2022 and 2023 conditions**.

FY25 came in well ahead of our initiation case

FY25 revenue rose 38.4% YoY and profit attributable to owners rose 88.5% YoY. Brand business jumped 67.3% while non brand declined 12.8%. By product, VGA cards increased 50.0% and accounted for 91.2% of group sales, while EMS was broadly flat and other PC related products fell 38.3%. Geographically, EMEAI and NALA were the strongest regions, up 55.1% and 47.0% respectively.

Importantly, FY25 was not only a recovery in headline revenue. It was also a clear mix improvement year. **Gross margin** expanded to **10.2%** from 9.5%, despite management noting that 2H25 volume growth came with some ASP moderation versus 1H25. That tells us PC Partner was already balancing throughput and profitability reasonably well before the more explicit FY26 premiumization push.

Figure 4: FY25 actuals versus our initial FY25 forecast

Metric	FY25 Forecast	FY25A	Variance
Revenue (HK$mn)	12,721	13,952	+9.7%
Net income (HK$mn)	404	494	+22.3%
EPS (HK$)	1.04	1.27	+22.1%
DPS (HK$)	0.36	0.85	+136.1%

Source: Company Data, KGI Research

Valuation

Cash flow quality warrants a tighter FCFF lens

Reported operating cash flow reached HK$2.82bn in FY25, but the funding mix matters. Inventories rose ~HK$850mn, trade receivables rose ~HK$494mn, trade payables rose ~HK$472mn and bank borrowings rose ~HK$483mn as PC Partner financed late year GPU intake. For PC Partner, import loans effectively bridge working capital funding from supplier credit to bank credit. That preserves cash in the near term, but it is not the same thing as clean recurring free cash flow. We therefore **exclude the net import loan funding benefit** when deriving FCFF in our revised DCF.

This is why our DCF falls even as revenue and gross margin assumptions improve. In our view, the revised framework better captures PC Partner's underlying economics across the cycle and avoids over capitalizing a short-term funding benefit into terminal value.

There are, however, still encouraging balance sheet signals. PCP ended FY25 with HK$2.51bn of cash against HK$1.30bn of borrowings, or net cash of roughly HK$1.20bn and disclosed another HK$1.71bn of undrawn credit facilities. FY25 DPS of HK$0.85 implies a 66.9% payout ratio, well above our original expectations, which meaningfully strengthens the case for a higher DDM valuation.

One nuance is that FY25 tax expense included a HK$63.4mn tax provision plus HK$14mn of penalty interest tied to prior Hong Kong assessments, as well as a HK$4.4mn global minimum tax top up. Underlying operating performance was therefore cleaner than the after-tax print alone might suggest. Separately, the US$25mn Section 301 tariff contingent item remains under protest and review.

Figure 5: Discounted Cashflow Model (REVISED)

Free Cash Flow Calculation (HKD'mn)	2024	2025	2026E	2027E	2028E	2029E	2030E
EBITDA	387	772	1,430	930	1,093	1,102	1,162
Add: D&A	103	136	100	97	98	93	89
Operating Profit (EBIT)	284	636	1,331	833	995	1,009	1,073
Less: Tax	(32)	(17)	(135)	(89)	(109)	(111)	(118)
Add: Depreciation & Amortisation	103	136	100	97	98	93	89
Less: Changes in working capital	(5)	(905)	199	640	(624)	(179)	(93)
Less: Capital Expenditures	(147)	(42)	(67)	(84)	(64)	(64)	(64)
FCFF (Adj.)	203	(192)	1,427	1,397	296	749	888
Terminal Value							2,323
Total FCFF (Adj.)	203	(192)	1,427	1,397	296	749	3,211
Period			1.0	2.0	3.0	4.0	5.0
Discount Factor			0.9	0.8	0.7	0.7	0.6
PV FCFF			1,286	1,134	217	493	1,906

Source: KGI Research

Figure 6: DCF Valuation

Valuations (HKD'mn)		
Discounted Cash Flow (DCF)		
Target EV/EBITDA Multiple	2.0 x	
WACC	11.0%	
Sum of PV FCFF	5,035	
Less: Net Debt	(1,106)	
Implied Equity Value	6,141	
Total Shares Outstanding	388	
SGD/HKD	6.10	
Implied 12M-TP (S$)	SGD	2.60
Upside (%)	93.7%	

Source: KGI Research

Revised Dividend Discount Model

The **DDM** moves sharply higher to **S$2.49** from S$0.99 as stronger earnings, better payout confidence and PCP's sizeable net cash position allow us to underwrite a more durable dividend stream. The convergence between the two methods is, in our view, a healthy outcome. The model is now less dependent on aggressive terminal cash conversion assumptions and more aligned with the company's actual capital return capacity.

Figure 7: Dividend Discount Model (REVISED)

Dividend Discount Model (HKD'mn)	2024	2025	2026E	2027E	2028E	2029E	2030E
Net Income	261	496	1,092	722	880	897	953
Add: D&A	103	136	100	97	98	93	89
Less: Cash Interest Expenses	(34)	(39)	(81)	(56)	(50)	(33)	(53)
Less: Cash Taxes	(32)	(17)	(135)	(89)	(109)	(111)	(118)
Less: Capital Expenditures	(147)	(42)	(67)	(84)	(64)	(64)	(64)
Distributable Cash Flow	150	533	908	589	754	782	807
% Distributable Cash Flow	103%	29%	26%	43%	41%	40%	41%
Dividends	155	155	237	253	308	314	334
Terminal Value							8,576
Total Dividends	155	155	237	253	308	314	8,910
Period			1.0	2.0	3.0	4.0	5.0
Discount Factor (Cost of Equity)			0.9	0.8	0.7	0.6	0.6
PV of Dividends			211	201	219	200	5,055

Source: KGI Research

Figure 8: DDM Valuation

Valuations (HKD'mn)		
Dividend Discount Model (DDM)		
Target P/E Multiple	9.0 x	
Cost of Equity	12.0%	
Sum of PV Dividends	5,887	
Implied Equity Value	5,887	
Total Shares Outstanding	388	
SGD/HKD	6.10	
Implied 12M-TP (S$)	SGD	2.49
Upside (%)	85.7%	

Source: KGI Research

We raise our 12-month TP to **S$2.54** from S$1.73 using a 50:50 blend of **DCF and DDM**. The DCF moves lower to **S$2.60** from S$3.39 because we now adjust FCFF for the import loan funding benefit. This tighter cash flow lens matters more than the higher FY26 revenue and gross margin assumptions. Put differently, our top line and margin view is better, but our free cash flow definition is cleaner and more conservative.

Our conclusion is straightforward. PC Partner has shifted from a pure cyclical rebound story to a scarcer premium allocation story. That is a better business than we first modeled. The market should grow more comfortably so that FY26 can still grow on price and mix even with allocation constraints, while FY27 no longer needs to revisit the trough conditions of 2022 and 2023 in our base case.

Figure 9: Blended Valuation

Blended Valuation			
	Weight		
DDM TP	50%	**SGD**	**2.49**
DCF TP	50%	**SGD**	**2.60**
Implied 12M-TP (S$)		**2.54**	
Upside (%)		**90%**	

Source: KGI Research

Financial Summary

FYE December (HKD$'Millions)

Income Statement	2024	2025	2026F	2027F	2028F
Revenue	**10,082**	**13,952**	**15,667**	**15,154**	**18,154**
Cost of Sales	(9,126)	(12,529)	(13,317)	(13,336)	(15,975)
Gross Profit	**955**	**1,423**	**2,350**	**1,819**	**2,178**
Administrative Expenses	(532)	(636)	(783)	(758)	(908)
Selling and Distribution Expenses	(130)	(147)	(204)	(197)	(236)
Other Expenses	18	-51	(64)	(4)	12
Operating Profit	**312**	**641**	**1,299**	**860**	**1,047**
Finance Costs and Others	0	0	0	0	0
Profit before tax	**312**	**641**	**1,299**	**860**	**1,047**
Income tax expense	(51)	(145)	(208)	(138)	(168)
Net Income	**261**	**496**	**1,092**	**722**	**880**

Balance Sheet	2024	2025	2026F	2027F	2028F
Inventories	842	1,692	1,423	830	1,492
Trade and other receivables	981	1,433	1,355	1,311	1,570
Right of return assets	29	22	29	28	33
Income tax recoverable	53	7	7	7	7
Cash and bank balances	2,177	2,507	4,144	5,119	4,572
Pledged time deposit	157	0	0	0	0
Total current assets	**4,239**	**5,661**	**6,958**	**7,295**	**7,675**
Property, plant and equipment	637	581	539	503	471
Right-of-use assets	109	93	102	125	123
Intangible assets	5	8	8	8	8
Other financial asset	1	1	1	1	1
Trade receivables	16	21	21	21	21
Deferred tax assets	8	21	21	21	21
Total non-current assets	**776**	**725**	**692**	**679**	**645**
Total assets	**5,015**	**6,386**	**7,650**	**7,975**	**8,320**
Trade and other payables	1,076	1,544	1,393	1,395	1,671
Refund liabilities	36	28	34	34	40
Contract liabilities	52	61	60	60	72
Amount due to a related party	0	0	0	0	0
Borrowings	820	1,302	1,770	1,564	964
Provision	0	0	0	0	0
Provision for product warranties	0	0	0	0	0
Provision for product warranties and returns	41	34	40	40	48
Lease liabilities	38	44	33	36	39
Current Income tax liabilities	13	104	177	225	284
Total current liabilities	**2,074**	**3,118**	**3,506**	**3,354**	**3,119**
Lease liabilities	73	55	76	83	92
Other payables	6	14	14	14	14
Total non-current liabilities	**79**	**69**	**90**	**98**	**106**
Total liabilities	**2,153**	**3,187**	**3,596**	**3,451**	**3,225**
Share capital	39	39	39	39	39
Reserves	2,823	3,159	4,014	4,483	5,055
Non-controlling interests	-75	1	1	1	1
Equity attributable to owners of the parent	**2,862**	**3,199**	**4,054**	**4,524**	**5,095**
Total Equity	**2,862**	**3,199**	**4,054**	**4,524**	**5,095**
Total Liabilities and Equity	**5,015**	**6,386**	**7,650**	**7,975**	**8,320**

Cash Flow	2024	2025	2026F	2027F	2028F
Profit Before Income Tax	**312**	**641**	**1,299**	**860**	**1,047**
Depreciation & Amort.	103	136	100	97	98
Other Operating Cash Flows Adjustments	(43)	50	31	(27)	(52)
Operating cash flows before WC changes	**371**	**826**	**1,430**	**930**	**1,093**
Change in working capital	1,650	2,046	2,737	2,063	206
Cash Generated from Operations	**2,021**	**2,871**	**4,167**	**2,993**	**1,299**
Interest Paid	(34)	(39)	(81)	(56)	(50)
Income tax paid	(32)	(17)	(135)	(89)	(109)
Cash flows from operations	**1,955**	**2,815**	**3,951**	**2,847**	**1,140**
Capital expenditure	(147)	(42)	(34)	(34)	(34)
Other investing cashflow	297	205	17	33	72
Cash flows from investing	**150**	**163**	**(17)**	**-836**	**39**
Dividends paid to equity owners	(155)	(155)	(237)	(253)	(308)
Net of Proceeds & Repayment from borrowings	(1,821)	(2,468)	(2,070)	(1,629)	(1,430)
Net proceeds from issuance of ordinary shares	0	0	0	0	0
Other financing cashflow	(33)	(43)	10	11	12
Cash flows from financing	(2,009)	(2,665)	(2,297)	(1,871)	(1,726)
Net increase in cash	96	312	1,637	975	(547)
Cash and Cash Balance BOP	2,100	2,177	2,506	4,144	5,119
Effects of foreign exchange rate changes, net	(19)	16	0	0	0
Cash and Cash Balance EOP	2,177	2,506	4,144	5,119	4,572

KEY RATIOS	2024	2025	2026F	2027F	2028F
DPS (HKD)	0.67	1.28	2.81	1.86	2.27
Dividend yield (%)	8.0%	6.7%	10.2%	9.3%	9.9%
NAV per share (HKD$)	0.74	0.82	1.05	1.17	1.31
Price/NAV (x)	0.10	0.06	0.02	0.03	0.03
Profitability					
EBITDA Margin (%)	3.8%	5.5%	9.1%	6.1%	6.0%
Net Profit Margin (%)	2.6%	3.6%	7.0%	4.8%	4.8%
ROE (%)	9.1%	15.5%	26.9%	16.0%	17.3%
ROA (%)	5.2%	7.8%	14.3%	9.1%	10.6%
Financial Structure					
Interest Coverage Ratio (ICR)	7.8 x	13.7 x	16.3 x	14.8 x	19.7 x
Net Debt/ (Net Cash) Gearing Ratio (%)	(49.0%)	(34.6%)	(55.9%)	(76.0%)	(68.2%)

KGI's Ratings

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.