



HKSE: 1263

栢能集團有限公司

PC Partner Group Limited

2019 Final Result Briefing

YOUR TECHNOLOGY PARTNER

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FY2019 Financial Highlight



➤ A weak 1H 2019 with a loss of HK\$79m and recovered in the 2H 2019 for a profit of HK\$89m, resulted in a profit for HK\$10m for full year 2019. Profit is significantly declined from 2018 to 2019 mainly due to:

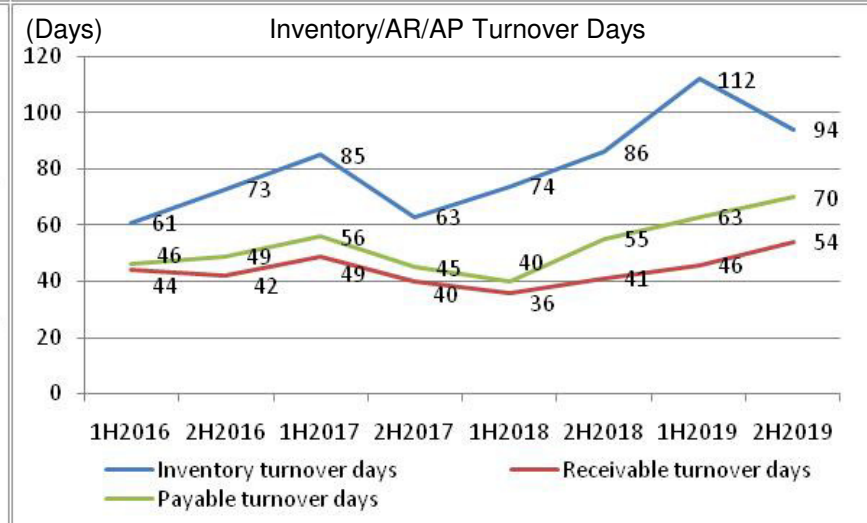
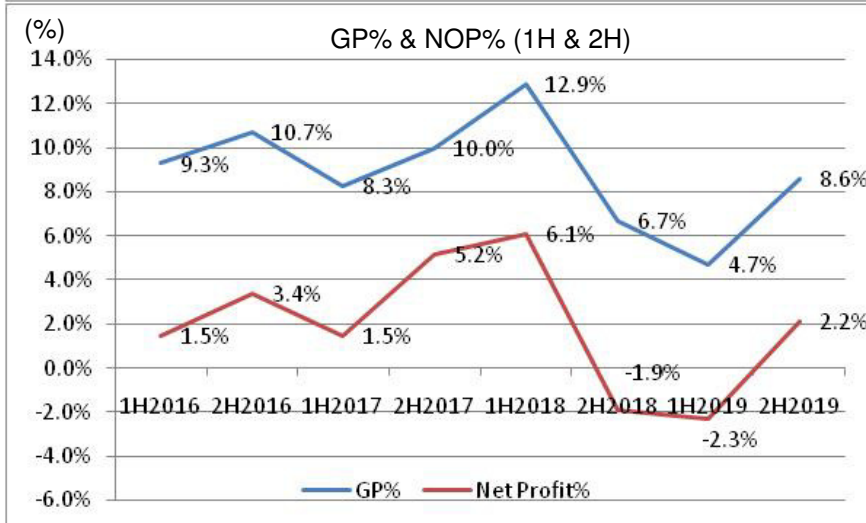
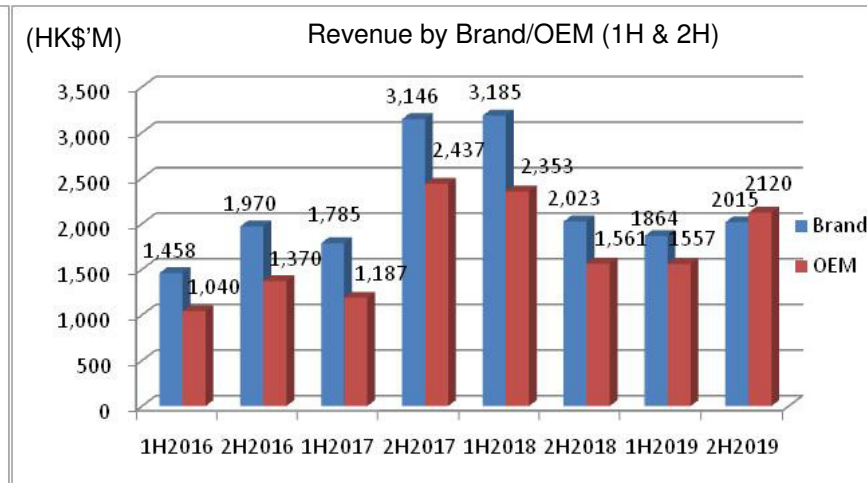
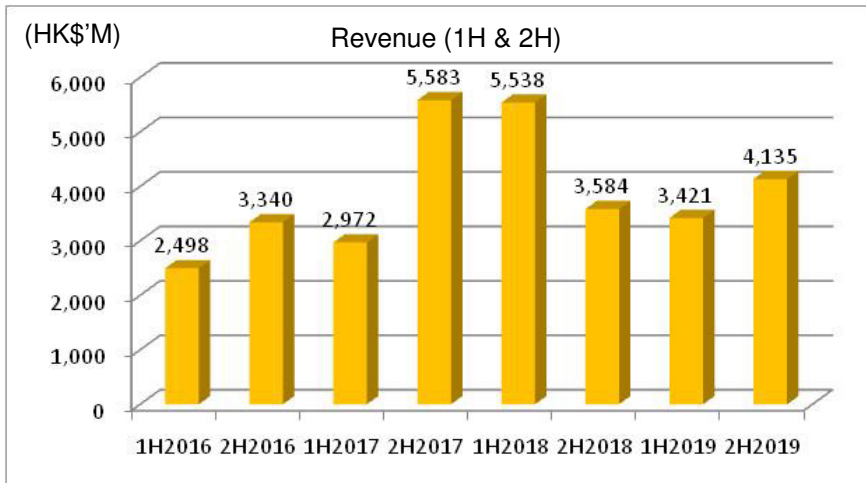
- inventory written down on clearance of old generation of VGA cards;
 - demand of VGA cards was still weak in 1H 2019 so company has further cut price to clear old VGA cards after the digital coins price crashed in 2018 since market was flood with very much new and second-hand VGA cards that took a long time to digest the market inventory.
- GPM was only 6.7% in 2H 2018 and further declined to 4.7% in 1H 2019; GPM rebound back to 8.6% in 2H 2019 after clearance most of the old generation of VGA cards.
- Nvidia's new series "RTX SUPER" launched in SEP/OCT 2019 was selling much better than the regular version launched a year ago since the "RTX SUPER" VGA cards received a much better market feedback on the price/performance ratio.
- Average selling price (ASP) of Brand VGA cards further reduced from \$225 for 1H 2019 to \$126 for 2H 2019 since Nvidia launched more lower end GPUs in 2H 2019 beside the RTX SUPER series.
- Inventory reduced significantly from HK\$2.5B by Dec 2018 to HK\$1.1B by Dec 2019; inventory turnover days increased from 86 days by Dec 2018 to 94 days by Dec 2019 due to additional intake of materials and pre-build products to prepare for the production shut down on CNY holidays .
- Gearing ratio (net debts to equity) reduced by 102.2% by Dec 2018 to 82.7% by Dec 2019 which was mainly due to lower borrowings by end of the year.

Financial Highlight (5Yrs)

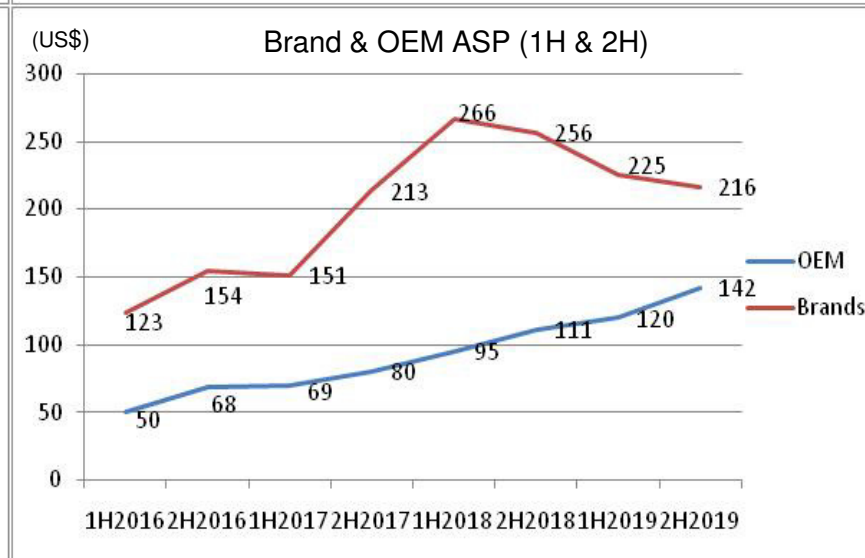
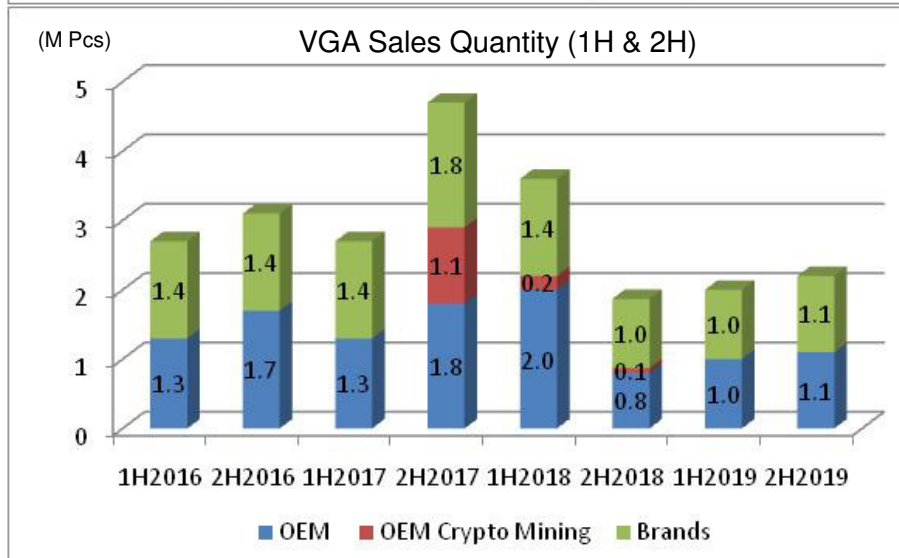
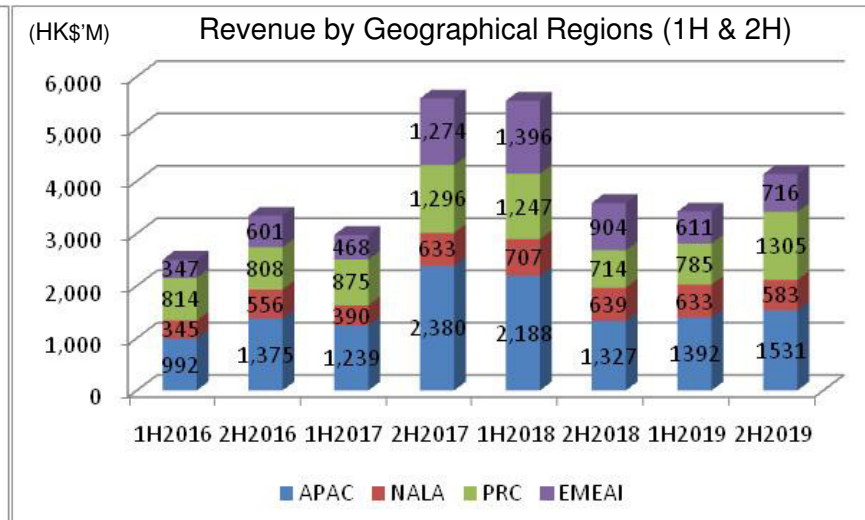
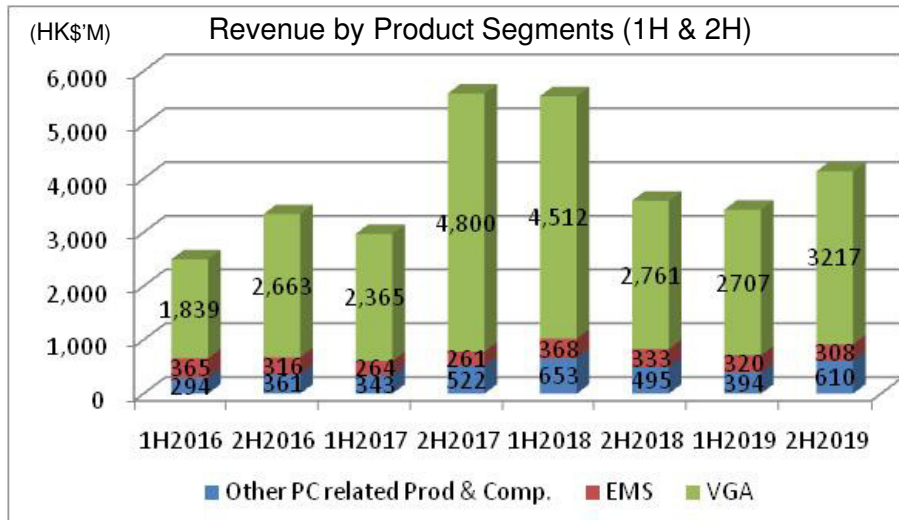


HK\$'000	2019	2018	2017	2016	2015
Revenue	7,556,477	9,122,319	8,555,368	5,827,964	4,754,149
Gross Profit	516,314	957,445	915,971	590,747	415,249
Gross Profit Margin	6.8%	10.5%	10.7%	10.1%	8.7%
Profit Attributable to Owners of the Company	10,266	270,843	332,293	150,189	(18,460)
Net Profit Margin	0.1%	3.0%	3.9%	2.6%	-0.4%
Basic Earning per Share (HK\$)	0.03	0.66	0.76	0.36	-0.04

Revenue / GPM&OPM / KPI



Revenue / VGA Qty / ASP



1H 2020 Outlook

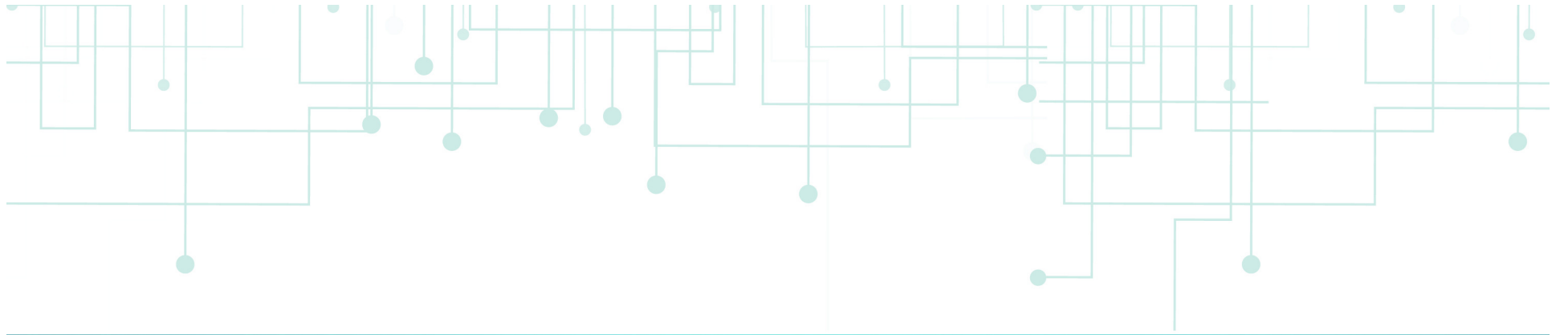


- COVID-19 was unexpectedly caused business closed down and restriction of people movement after CNY in China. Our production plans was resumed back to operation before end of Feb 2020 from a low capacity level at around 30%. The capacity has been recovered to approximately 80% by end of March 2020.
- Supply chain is still not smooth as some of our vendors have a slower recovery rates of their production capacity.
- The virus being widely spread to different regions and countries caused many countries and cities being locked down, logistics such as air freight and trucking services have been slowed down by roughly 1 -2 weeks resulted in delay on delivery of products.
- Demand on computer and gaming hardware seems better than expected as many people required to stay at home or work at home increase the demand on entertainment and computer hardware.
- Due to lower production capacity output and slow recovery of the supply chain, expected revenue missing 20% in Q1 2020 vs. Q1 2019. Orders on hand remains decent for the month of April and still catching up back orders from Q1 2020.
- Q2 2020 is still uncertain even the orders in April is decent at the moment since the virus might likely slowdown the global economy that discourage all kinds of demand and spending on consumer products.
- GPM for 1H 2020 should be much better than 1H 2019 since slow moving inventory issue is no longer bother the company like last year.
- The investment of the joint venture on GPU server leasing service may provide a lower profit contribution than the original projection since the machines performance requires a further fine-tune on the performance. Expecting to complete the performance upgrade before end of Q2 2020 in order to fully resume the business.
- Company is already in cost savings mode by freeze hiring and cutting down spending on CAPEX, marketing activities, so on.

2H 2020 Outlook



- Hard to predict the impact to the business caused by the COVID-19 on economy for the 2H 2020.
- Expecting Nvidia to launch the next generation GPU by end of Q3 2020 which should help to stimulate demand on VGA cards.
- Expect the JV profit contribution in 2H 2020 starts to align with the original profit projection on a 2 years payback plan of the investment.
- Cost savings mode will continue for the remaining of the year.
- Expected the GPM will improve with new generation of VGA cards launch together with more profit contribution from the JV in 2H 2020 to the net profit in 2H 2020.



Thank You

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