

Bulletin:

Acer Inc. Has Buffers Amid Weakening PC Demand

November 7, 2022

Acer Inc.'s cash holding can help the company withstand the downturn in demand for PCs. We expect the company's sufficient cash on hands and its improving inventory cashflow to prevent leverage from rising over the next two to three quarters.

The slowing global economy is likely to curtail demand for PCs. Worldwide demand for PCs has fallen for the past four quarters, hurting the financial performance of **Acer** (twA/Stable/twA-1). The global PC market shrunk by 19.5% year-on-year in the third quarter of 2022, partly due a surge in demand in the year-ago period to clear backlog during the peak in COVID-19 infections (2020-2021). The decline in the global PC market is likely to remain in 2023.

Acer's cashflow on inventory reversed from an outflow of NT\$15.1 billion for the first three quarters of 2021 to an inflow of NT\$568 million in the corresponding period in 2022. Additionally, we expect the company's net cash position to stay above NT\$25 billion in 2022-2023, sufficient to meet continuous investments with affiliated or strategic entities.

In addition, we believe Acer's revenue from major subsidiaries in non-PC market will grow, which could partly offset the decline of the PC market over the next few quarters. Acer's revenue in the third quarter of 2022 declined 20% year-on-year, reflecting reduced sales of notebooks. Revenue from notebooks fell to NT\$35 billion in the quarter, from an average of more than NT\$44 billion during 2020-2021. EBITDA margin also dropped 33% year-on-year due to the lack of economies of scale.

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