UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission File Number: 001-39533

Corsair Gaming, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**82-2335306**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

115 N. McCarthy Boulevard
Milpitas, CA 95035
(Address of Principal Executive Offices and zip code)

(510) 657-8747
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	CRSR	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 25, 2023, the registrant had 102,978,569 shares of common stock, $0.0001 par value per share, outstanding.

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the Exchange Act) that reflect our current views with respect to, among other things, our operations and financial performance. These forward-looking statements are included throughout this Quarterly Report and relate to matters such as our industry and the markets we operate in, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “foreseeable,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “will” and similar terms and phrases to identify the forward-looking statements.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on management’s current expectations and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local economic, business, competitive, market, regulatory and other factors, many of which are beyond our control, including, for example, general economic conditions and supply chain issues. We believe that these factors include but are not limited to those described under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

Corsair Gaming, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except per share amounts)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net revenue	$ 363,193	$ 311,769	$ 1,042,589	$ 976,368
Cost of revenue	273,840	240,209	785,000	777,593
Gross profit	89,353	71,560	257,589	198,775
Operating expenses:				
Sales, general and administrative	74,000	66,932	211,482	216,456
Product development	16,111	15,616	48,542	50,752
Total operating expenses	90,111	82,548	260,024	267,208
Operating loss	(758)	(10,988)	(2,435)	(68,433)
Other (expense) income:				
Interest expense, net	(2,529)	(2,734)	(7,875)	(5,689)
Other (expense) income, net	304	1,662	(1,326)	1,796
Total other expense, net	(2,225)	(1,072)	(9,201)	(3,893)
Loss before income taxes	(2,983)	(12,060)	(11,636)	(72,326)
Income tax benefit	97	6,115	3,023	11,262
Net loss	(2,886)	(5,945)	(8,613)	(61,064)
Less: Net income attributable to noncontrolling interest	193	266	958	33
Net loss attributable to Corsair Gaming, Inc.	$ (3,079)	$ (6,211)	$ (9,571)	$ (61,097)
Calculation of net loss per share attributable to common stockholders of Corsair Gaming, Inc.:				
Net loss attributable to Corsair Gaming, Inc.	$ (3,079)	$ (6,211)	$ (9,571)	$ (61,097)
Change in redemption value of redeemable noncontrolling interest	—	(2,690)	6,535	(12,330)
Net loss attributable to common stockholders of Corsair Gaming, Inc.	$ (3,079)	$ (8,901)	$ (3,036)	$ (73,427)
Net loss per share attributable to common stockholders of Corsair Gaming, Inc.:				
Basic	$ (0.03)	$ (0.09)	$ (0.03)	$ (0.77)
Diluted	$ (0.03)	$ (0.09)	$ (0.03)	$ (0.77)
Weighted-average common shares outstanding:				
Basic	102,863	95,858	102,288	95,537
Diluted	102,863	95,858	102,288	95,537

The accompanying notes are an integral part of these condensed consolidated financial statements

Corsair Gaming, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net loss	$ (2,886)	$ (5,945)	$ (8,613)	$ (61,064)
Other comprehensive gain (loss):				
Foreign currency translation adjustments, net of tax benefit of $102 and $520 for the three months ended September 30, 2023 and 2022, respectively, and $148 and $507 for the nine months ended September 30, 2023 and 2022, respectively.	(2,986)	(5,761)	66	(13,173)
Unrealized foreign exchange loss from long-term intercompany loans, net of tax (expense) benefit of nil and $53 for the three months ended September 30, 2023 and 2022, respectively, and $(127) and $127 for the nine months ended September 30, 2023 and 2022, respectively.	(152)	(273)	(174)	(645)
Comprehensive loss	(6,024)	(11,979)	(8,721)	(74,882)
Less: Comprehensive income (loss) attributable to noncontrolling interest	(7)	(265)	668	(962)
Comprehensive loss attributable to Corsair Gaming, Inc.	$ (6,017)	$ (11,714)	$ (9,389)	$ (73,920)

The accompanying notes are an integral part of these condensed consolidated financial statements

Corsair Gaming, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, in thousands, except per share amounts)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 144,891	$ 151,180
Restricted cash	2,641	2,647
Accounts receivable, net	251,079	235,656
Inventories	235,556	192,717
Prepaid expenses and other current assets	45,206	40,593
Total current assets	679,373	622,793
Restricted cash, noncurrent	238	233
Property and equipment, net	33,070	34,927
Goodwill	354,865	347,747
Intangible assets, net	196,493	216,255
Other assets	74,110	75,290
Total assets	$ 1,338,149	$ 1,297,245
Liabilities		
Current liabilities:		
Debt maturing within one year, net	$ 12,130	$ 6,495
Accounts payable	215,456	172,033
Other liabilities and accrued expenses	167,136	164,470
Total current liabilities	394,722	342,998
Long-term debt, net	210,573	232,170
Deferred tax liabilities	15,415	18,054
Other liabilities, noncurrent	42,764	48,589
Total liabilities	663,474	641,811
Commitments and Contingencies (Note 9)		
Temporary equity		
Redeemable noncontrolling interest	14,647	21,367
Permanent equity		
Corsair Gaming, Inc. stockholders' equity:		
Preferred stock, $0.0001 par value: 5,000 shares authorized, nil and nil shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Common stock, $0.0001 par value: 300,000 shares authorized, 102,968 and 101,385 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	10	10
Additional paid-in capital	622,428	593,486
Retained earnings	34,187	37,223
Accumulated other comprehensive loss	(6,699)	(6,881)
Total Corsair Gaming, Inc. stockholders' equity	649,926	623,838
Nonredeemable noncontrolling interest	10,102	10,229
Total permanent equity	660,028	634,067
Total liabilities, temporary equity and permanent equity	$ 1,338,149	$ 1,297,245

The accompanying notes are an integral part of these condensed consolidated financial statements

Corsair Gaming, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited, in thousands)

	Three Months Ended September 30, 2023							
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Corsair Gaming, Inc. Stockholders'	Nonredeemable Noncontrolling	Total Permanent
	Shares	Amount	Capital	Earnings	Loss	Equity	Interest	Equity
Balance as of June 30, 2023	102,748	$ 10	$ 614,671	$ 37,266	$ (3,761)	$ 648,186	$ 10,505	$ 658,691
Net income (loss)	—	—	—	(3,079)	—	(3,079)	79	(3,000)
Other comprehensive loss	—	—	—	—	(2,938)	(2,938)	(82)	(3,020)
Dividend paid to nonredeemable noncontrolling interest	—	—	—	—	—	—	(400)	(400)
Issuance of common stock in connection with employee equity incentive plans	251	—	411	—	—	411	—	411
Shares withheld related to net share settlement	(31)	—	(531)	—	—	(531)	—	(531)
Stock-based compensation	—	—	7,877	—	—	7,877	—	7,877
Balance as of September 30, 2023	102,968	$ 10	$ 622,428	$ 34,187	$ (6,699)	$ 649,926	$ 10,102	$ 660,028

	Three Months Ended September 30, 2022							
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Corsair Gaming, Inc. Stockholders'	Nonredeemable Noncontrolling	Total Permanent
	Shares	Amount	Capital	Earnings	Loss	Equity	Interest	Equity
Balance as of June 30, 2022	95,780	$ 10	$ 498,741	$ 33,621	$ (7,660)	$ 524,712	$ 10,900	$ 535,612
Net income (loss)	—	—	—	(6,211)	—	(6,211)	109	(6,102)
Other comprehensive loss	—	—	—	—	(5,503)	(5,503)	(217)	(5,720)
Change in redemption value of redeemable noncontrolling interest	—	—	—	(2,690)	—	(2,690)	—	(2,690)
Issuance of common stock in connection with employee equity incentive plans	195	—	624	—	—	624	—	624
Shares withheld related to net share settlement	(25)	—	(402)	—	—	(402)	—	(402)
Stock-based compensation	—	—	5,670	—	—	5,670	—	5,670
Balance as of September 30, 2022	95,950	$ 10	$ 504,633	$ 24,720	$ (13,163)	$ 516,200	$ 10,792	$ 526,992

	Nine Months Ended September 30, 2023							
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Corsair Gaming, Inc. Stockholders'	Nonredeemable Noncontrolling	Total Permanent
	Shares	Amount	Capital	Earnings	Loss	Equity	Interest	Equity
Balance as of December 31, 2022	101,385	$ 10	$ 593,486	$ 37,223	$ (6,881)	$ 623,838	$ 10,229	$ 634,067
Net income (loss)	—	—	—	(9,571)	—	(9,571)	392	(9,179)
Other comprehensive income (loss)	—	—	—	—	182	182	(119)	63
Change in redemption value of redeemable noncontrolling interest	—	—	—	6,535	—	6,535	—	6,535
Dividend paid to nonredeemable noncontrolling interest	—	—	—	—	—	—	(400)	(400)
Issuance of common stock in connection with employee equity incentive plans	1,666	—	6,790	—	—	6,790	—	6,790
Shares withheld related to net share settlement	(83)	—	(1,318)	—	—	(1,318)	—	(1,318)
Stock-based compensation	—	—	23,470	—	—	23,470	—	23,470
Balance as of September 30, 2023	102,968	$ 10	$ 622,428	$ 34,187	$ (6,699)	$ 649,926	$ 10,102	$ 660,028

	Nine Months Ended September 30, 2022							
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Corsair Gaming, Inc. Stockholders'	Nonredeemable Noncontrolling	Total Permanent
	Shares	Amount	Capital	Earnings	Loss	Equity	Interest	Equity
Balance as of December 31, 2021	94,510	$ 9	$ 470,364	$ 98,147	$ (340)	$ 568,180	$ —	$ 568,180
Issuance of common stock in relation to business acquisition	690	1	14,504	—	—	14,505	—	14,505
Noncontrolling interest from business combination	—	—	—	—	—	—	12,084	12,084
Net income (loss)	—	—	—	(61,097)	—	(61,097)	14	(61,083)
Other comprehensive loss	—	—	—	—	(12,823)	(12,823)	(406)	(13,229)
Change in redemption value of redeemable noncontrolling interest	—	—	—	(12,330)	—	(12,330)	—	(12,330)
Dividend paid to nonredeemable noncontrolling interest	—	—	—	—	—	—	(900)	(900)
Issuance of common stock in connection with employee equity incentive plans	822	—	4,132	—	—	4,132	—	4,132
Shares withheld related to net share settlement	(72)	—	(1,379)	—	—	(1,379)	—	(1,379)
Stock-based compensation	—	—	17,012	—	—	17,012	—	17,012
Balance as of September 30, 2022	95,950	$ 10	$ 504,633	$ 24,720	$ (13,163)	$ 516,200	$ 10,792	$ 526,992

The accompanying notes are an integral part of these condensed consolidated financial statements

Corsair Gaming, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (8,613)	$ (61,064)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation	23,245	16,877
Depreciation	9,016	7,695
Amortization	29,005	33,924
Deferred income taxes	(7,724)	(19,552)
Other	2,493	1,995
Changes in operating assets and liabilities:		
Accounts receivable	(18,070)	133,362
Inventories	(35,452)	54,371
Prepaid expenses and other assets	(4,551)	(7,132)
Accounts payable	38,287	(74,091)
Other liabilities and accrued expenses	4,424	(41,243)
Net cash provided by operating activities	32,060	45,142
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(14,220)	(19,534)
Payment of deferred consideration	—	(95)
Purchase of property and equipment	(10,784)	(19,850)
Investment in available-for-sale convertible note	—	(1,000)
Net cash used in investing activities	(25,004)	(40,479)
Cash flows from financing activities:		
Repayment of debt and debt issuance costs	(16,250)	(4,017)
Borrowing from line of credit	—	626,000
Repayment of line of credit	—	(626,000)
Payment of other offering costs	(497)	—
Payment of contingent consideration	(950)	(438)
Proceeds from issuance of shares through employee equity incentive plans	6,790	4,132
Payment of taxes related to net share settlement of equity awards	(1,318)	(1,399)
Dividends paid to noncontrolling interest	(980)	(2,205)
Net cash used in financing activities	(13,205)	(3,927)
Effect of exchange rate changes on cash	(141)	(4,434)
Net decrease in cash and restricted cash	(6,290)	(3,698)
Cash and restricted cash at the beginning of the period	154,060	65,380
Cash and restricted cash at the end of the period	$ 147,770	$ 61,682
Supplemental cash flow disclosures:		
Cash paid for interest	$ 12,742	$ 5,406
Cash paid for income taxes, net	4,457	9,243
Supplemental schedule of non-cash investing and financing activities:		
Equipment purchased and unpaid at period end	$ 1,203	$ 1,617
Right-of-use assets obtained in exchange for operating lease liabilities	1,513	1,767
Issuance of common stock relating to business acquisition	—	14,505

The accompanying notes are an integral part of these condensed consolidated financial statements

Corsair Gaming, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business

Corsair Gaming, Inc., a Delaware corporation, together with its subsidiaries (collectively, "Corsair" the "Company", "we", "us", or "our"), is a global provider and innovator of high-performance gear for gamers, streamers and content creators, many of which build their own PCs using our components.

Corsair is organized into two reportable segments:

- **Gamer and creator peripherals**. Includes our high-performance gaming keyboards, mice, headsets, controllers, and our streaming gear, which includes capture cards, Stream Decks, USB microphones, our Facecam streaming cameras, studio accessories and EpocCam software, among others.
- **Gaming components and systems**. Includes our high-performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs and laptops, and gaming monitors, among others.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. The accounting policies we follow are set forth in Part II, Item 8, Note 2, "Significant Accounting Policies", of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10K for the year ended December 31, 2022 which was filed with the SEC on February 27, 2023.

The condensed consolidated balance sheet as of December 31, 2022, included herein, was derived from the audited consolidated financial statements as of that date. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed, combined or omitted pursuant to such rules and regulations. Therefore, these interim condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2022, included in our Annual Report on Form 10-K.

The interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and in management's opinion, include all adjustments, which consist of only normal recurring adjustments necessary for the fair statement of our condensed consolidated balance sheet as of September 30, 2023 and our results of operations for the three and nine months ended September 30, 2023 and 2022. The results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the current fiscal year or any other future periods.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Corsair and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. For consolidated entities where we own less than 100% of the equity, our consolidated net comprehensive income (loss) is reduced by the portion attributable to the noncontrolling interest.

In determining whether an entity is considered a controlled entity, we apply the VIE (Variable Interest Entity) and VOE (voting interest entity) models. Entities that do not qualify as a VIE are assessed for consolidation under the VOE model. Under the VOE model, we consolidate the entity if we determine that we have a controlling financial interest in the entity through our ownership of greater than 50% of the outstanding voting shares of the entity and that other equity holders do not have substantive voting, participating or liquidation rights.

On January 1, 2022 (the "Closing" or "Closing Date"), we completed the acquisition of a 51% ownership stake in Elgato iDisplay Holdings LTD. and its related companies (together "iDisplay"). (See Note 5, "Business Combination - iDisplay Acquisition" for more details on the iDisplay Acquisition). We have determined that iDisplay does not qualify as a VIE and Corsair has a controlling financial interest in iDisplay under the VOE model and therefore, iDisplay's results of operations are fully consolidated with Corsair with effect from January 1, 2022.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, the valuation of intangible assets, accounts receivable, sales return reserves, reserves for customer incentives, warranty reserves, inventory, derivative instruments, stock-based compensation, and deferred income tax. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the potential impacts from the events in the current economic environment as well as the potential impacts from geopolitical events. We adjust such estimates and assumptions when facts and circumstances dictate. The extent to which the current macroeconomic factors and the development of the geopolitical unrest will impact our business going forward depends on numerous dynamic factors that we cannot reliably predict. Actual results could differ materially from those estimates.

Recently Adopted Accounting Pronouncements

None.

Accounting Pronouncements Issued but Not Yet Adopted

None.

3. Fair Value Measurement

U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy is broken down into the following three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2—Pricing inputs are other than quoted prices in active market, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3—Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Fair value accounting is applied to all financial assets and liabilities that are recognized or disclosed at fair value in our condensed consolidated financial statements on a recurring basis. Our financial instruments, including cash, restricted cash, accounts receivable, accounts payable, borrowings from credit lines and other liabilities and accrued expenses approximate fair value due to their short-term maturities. The following tables summarize our financial assets and liabilities that were measured at fair value on a recurring basis, and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

	September 30, 2023			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Foreign currency forward contracts[1]	$ —	$ 528	$ —	$ 528
Total assets	$ —	$ 528	$ —	$ 528
Liabilities:				
Foreign currency forward contracts[1]	$ —	$ 35	$ —	$ 35
Total liabilities	$ —	$ 35	$ —	$ 35

	December 31, 2022 [3]			
	(Level 1)	(Level 2)	(Level 3)	Total
Liabilities:				
Deferred cash consideration in connection with a business acquisition—SCUF[2]	$ —	$ —	$ 954	$ 954
Foreign currency forward contracts[1]	—	484	—	484
Total liabilities	$ —	$ 484	$ 954	$ 1,438

(1) The fair values of the forward contracts were based on similar exchange traded derivatives and the related asset or liability is included within Level 2 of the fair value hierarchy.

(2) In December 2019, one of our subsidiaries entered into an Agreement and Plan of Merger with Scuf Holdings, Inc. and its subsidiaries (collectively, “SCUF”) and acquired 100% of their equity interests (the “SCUF Acquisition”). The fair value of the SCUF contingent consideration was determined based on the estimates of acquired tax benefits owed to SCUF’s sellers according to the merger agreement, and these estimates represent a level 3 fair value measurement. The $1.0 million liability as of December 31, 2022 was finalized in the fourth quarter of 2022, and this amount was paid in the first quarter of 2023.

(3) The balances as of December 31, 2022 of our financial assets that were measured at fair value on a recurring basis were not material.

4. Derivative Financial Instruments

From time to time, we enter into derivative instruments such as foreign currency forward contracts, to minimize the short-term impact of foreign currency exchange rate fluctuations on certain foreign currency denominated assets and liabilities, and interest rate cap contracts, to minimize our exposure to interest rate movements on our variable rate debts. The derivative instruments are recorded at fair value in prepaid expenses and other current assets or other liabilities and accrued expenses on the condensed consolidated balance sheets. We do not designate such instruments as hedges for accounting purposes; accordingly, changes in the value of these contracts are recognized in each reporting period in other (expense) income, net in the condensed consolidated statements of operations. We do not enter into derivative instruments for trading purposes.

The foreign currency forward contracts generally mature within two to four months. The notional principal amount of outstanding foreign exchange forward contracts was $32.1 million and $23.4 million as of September 30, 2023 and December 31, 2022, respectively. The net fair value gains (losses) recognized in other (expense) income, net in relation to these derivative instruments was $0.8 million and $1.5 million for the three months ended September 30, 2023 and 2022, respectively, and was $0.2 million and $4.1 million for the nine months ended September 30, 2023 and 2022, respectively.

5. Business Combinations

iDisplay Acquisition

On January 1, 2022, we completed the acquisition of a 51% ownership stake in iDisplay (the “iDisplay Acquisition”), a leader in electronic development and design specializing in display technology, headquartered in Taiwan.

The fair value consideration for iDisplay was $36.4 million, including $21.9 million in cash and the issuance of 690,333 shares of our common stock with a fair value of $14.5 million at Closing Date. The consideration was reduced for the effective 51% settlement of a pre-existing contractual accounts payable balance owed to iDisplay of $3.5 million. The iDisplay Acquisition has allowed us to direct the development and integration of iDisplay’s display-based touch-screen technologies into our products for creators, gamers and streamers. iDisplay’s results of operations are fully consolidated with Corsair with effect from January 1, 2022.

The acquisition-related costs are included in sales, general and administrative expenses in our condensed consolidated statements of operations and the amounts incurred in the three and nine months ended September 30, 2022 were not material. There were no additional acquisition-related costs incurred after 2022.

The seller of iDisplay (the “iDisplay Seller”) has retained a 49% noncontrolling interest in iDisplay. Under the Shareholders Agreement between Corsair and the iDisplay Seller, a put option was provided to the iDisplay Seller and a call option was provided to Corsair for the option to transfer (i) 14% ownership interest in iDisplay to Corsair upon the first anniversary of the Closing and (ii) an additional 15% of ownership interest in iDisplay to Corsair upon the second anniversary of the Closing. Both put and call options expire on January 1, 2025. The exercise price of the put option and the call option is based on multiples of iDisplay’s trailing twelve-month earnings before interest, income tax, depreciation and amortization (“TTM EBITDA”) less any debt. The 29% noncontrolling interest subject to the put option is considered a redeemable noncontrolling interest (“RNCI”). See Note 15, “Redeemable Noncontrolling Interest” for more information regarding such RNCI.

The fair value of the 49% noncontrolling interest was estimated to be $29.6 million. The control premium was based on an analysis considering similar market transactions involving control premiums, as well as factors specific to iDisplay, including its significant customer concentration.

Subsequent to the iDisplay Acquisition Closing Date, we recorded measurement period adjustments which increased goodwill by $1.0 million and decreased identifiable intangible assets and deferred liabilities by $1.1 million and $0.1 million, respectively. The final allocation of the iDisplay Acquisition purchase consideration to the estimated fair value of the assets acquired and liabilities assumed at the acquisition date is as follows (in thousands):

	Amounts
Cash	$ 2,330
Accounts receivable	3,382
Inventories	2,772
Prepaid and other assets	424
Operating lease right-of-use asset	360
Property and equipment	277
Identifiable intangible assets	34,200
Goodwill	32,987
Total assets acquired	76,732
Accounts payable	(5,106)
Deferred tax liabilities	(4,561)
Accrued liabilities	(731)
Operating lease liabilities	(360)
Total liabilities assumed	(10,758)
Net assets acquired	65,974
Noncontrolling interest	(29,606)
Fair value of consideration transferred	$ 36,368
Purchase consideration:	
Cash	$ 21,864
Corsair common stock	14,504
Fair value of consideration transferred	$ 36,368

The fair value of certain working capital related items, including accounts receivable, prepaid and other assets, accounts payable and accrued liabilities, as well as the fair value of property and equipment approximated their book values at the date of the iDisplay Acquisition. The fair value of the inventories was estimated by major category, at net realizable value, which we believe approximates the price a market participant could achieve in a current sale. The difference between the fair value of the inventories and the book value recorded by iDisplay on the acquisition date was not material.

The goodwill recognized for the iDisplay Acquisition, which is the excess of the purchase consideration over the fair value of the identifiable intangible assets and the net tangible assets and liabilities acquired, has been estimated to be $33.0 million, of which $29.3 million and $3.7 million are assigned to our gamer and creator peripherals reporting unit and gaming component and systems reporting unit, respectively. We believe goodwill represents the strengthening of our supply chain with display-based touch-screen technologies into our products for creators, gamers and streamers, and the ability to design and generate new technologies to enhance the features of our products.

A portion of the identifiable intangible assets are not deductible for tax purposes for which a $4.6 million deferred tax liability has been estimated at the date of acquisition for the difference between the book and tax bases of these assets. The goodwill is not deductible for tax purposes.

Valuation of identified intangible assets

The following table summarizes the valuation of the identifiable intangible assets acquired in the iDisplay Acquisition and the estimate of their respective useful lives as of the Closing Date, including subsequent measurement period adjustments:

	Valuation (In thousands)	Useful Life (In years)
Patent portfolio	$ 5,100	6
Supplier relationships	6,800	6
Developed technology	22,300	6
Total identifiable intangible assets	$ 34,200	

The fair value of patent portfolio was estimated using the relief from royalty approach and the economic useful life was determined based on the average product life cycle of the products manufactured by iDisplay. The supplier relationships intangible asset represents the value assigned to the relationship iDisplay had established over the years with a broad network of suppliers and

OEMs that have been crucial to the quality and magnitude of iDisplay manufacturing capability. The fair value of supplier relationships was estimated using the multi-period excess earnings approach and the economic useful life was determined to be aligned with the estimated useful life of the developed technology acquired from iDisplay. The developed technology intangible asset represents unpatented propriety technologies, such as hardware designs and architectures and process technologies used in the on-going research and design of the products manufactured by iDisplay. The fair value of developed technology was estimated using the income approach and the economic useful life was based on the technology cycle of the products manufactured, as well as the cash flows anticipated over the forecasted periods. The valuations of the intangible assets were calculated with the assistance of a third-party valuation firm. The fair values of these intangibles were valued based on long-term cash flow projections, which we consider to be Level 3 inputs.

Drop Acquisition

On July 14, 2023 (the “Acquisition Date”), we completed the acquisition of the assets and business of Massdrop Inc. (“Drop”), including the assumption of trade payables and certain accrued liabilities (the "Drop Acquisition") for a cash purchase consideration of approximately $14.2 million, net of $0.6 million of cash acquired. The acquisition-related costs are included in sales, general and administrative expenses in our condensed consolidated statements of operations and the amounts incurred in the three and nine months ended September 30, 2023 were not material. Drop, a community-based e-commerce company headquartered in San Francisco, California, specializes in customized DIY keyboards and keycaps. We expect this acquisition to give Corsair a leading presence in the personalized keyboards market which is one of the fastest growing trends in the gaming peripheral space as well as allow us to offer specialized Corsair and Elgato products to the enthusiast community that Drop is engaged with.

The Drop Acquisition was accounted for as a business combination under the acquisition method of accounting. The fair values assigned to assets acquired and liabilities assumed are based on management's best estimates and assumptions. Our purchase accounting is preliminary as of the date of this Quarterly Report on Form 10-Q, pending finalization of the purchase consideration which is subject to working capital settlement expected to be finalized in the fourth quarter of 2023, and the related completeness of certain assumed liabilities. We expect to finalize the purchase accounting as soon as practicable, but not later than one year from the acquisition date, and do not expect material purchase accounting adjustments in future periods. Drop’s results of operations are included in our condensed consolidated statements of operations with effect from July 14, 2023.

The following table summarizes the preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed at the Acquisition Date (in thousands):

	Amounts
Accounts receivable	$ 135
Inventories	7,559
Prepaid and other assets	926
Property and equipment	109
Identifiable intangible assets	9,160
Goodwill	7,007
Accounts payable	(7,165)
Accrued liabilities	(3,511)
Purchase consideration, net of cash acquired	$ 14,220

The fair value of certain working capital related items, including accounts receivable, prepaid and other assets, accounts payable and accrued liabilities, as well as the fair value of property and equipment approximated their book values at the Acquisition Date. The fair value of the inventories was estimated by major category, at net realizable value, which we believe approximates the price a market participant could achieve in a current sale. The difference between the fair value of the Drop inventories and the book value recorded on the Acquisition Date was $2.0 million, and it will be recognized in cost of revenue in the condensed consolidated statements of operations upon the sale of the acquired inventory.

The goodwill of $7.0 million represents the expansion of our market presence by utilizing Drop's strength in direct consumer reach as well as the ability to expand the customizable keyboard and keycap market. The goodwill is deductible for tax purposes and is assigned to our gamer and creator peripherals reporting unit.

The $9.2 million identifiable intangible assets acquired include developed technology of $5.2 million, trade name of $2.3 million and domain name of $1.7 million. The fair values of the identified intangible assets were estimated primarily using the income approach and were based on inputs that are not observable in the market which we consider to be Level 3 inputs. These intangible assets are being amortized over their estimated useful lives, ranging from 5 to 15 years, using the straight-line method of amortization. The identifiable intangible assets acquired are deductible for tax purposes.

Unaudited Pro Forma Financial Information

Pro forma financial information is not included because the effects of the Drop Acquisition were not material to our condensed consolidated statements of operations for the periods presented.

6. Goodwill and Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill by reportable segment (in thousands):

	Gaming Components and Systems	Gamer and Creator Peripherals	Total
Balance as of December 31, 2022	$ 148,931	$ 198,816	$ 347,747
Addition from business acquisition	—	7,007	7,007
Effect of foreign currency exchange rates	(42)	153	111
Balance as of September 30, 2023	$ 148,889	$ 205,976	$ 354,865

Intangible assets, net

The following table is a summary of intangible assets, net (in thousands):

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	$ 47,477	$ 19,438	$ 28,039	$ 53,726	$ 24,088	$ 29,638
Trade name	33,825	8,395	25,430	29,735	6,802	22,933
Customer relationships	218,445	133,301	85,144	218,542	116,919	101,623
Patent portfolio	33,573	15,283	18,290	33,198	11,764	21,434
Supplier relationships	5,850	1,706	4,144	6,129	1,021	5,108
Total finite-life intangibles	339,170	178,123	161,047	341,330	160,594	180,736
Indefinite life trade name	35,430	—	35,430	35,430	—	35,430
Other	16	—	16	89	—	89
Total intangible assets	$ 374,616	$ 178,123	$ 196,493	$ 376,849	$ 160,594	$ 216,255

In the year after an identified intangible asset becomes fully amortized, we remove the fully amortized balances from the gross asset and accumulated amortization amounts from the table above.

The estimated future amortization expense of intangible assets as of September 30, 2023 is as follows (in thousands):

	Amounts
Remainder of 2023	$ 9,471
2024	37,847
2025	37,478
2026	34,176
2027	24,591
Thereafter	17,484
Total	$ 161,047

7. Balance Sheet Components

The following tables present the components of certain balance sheet amounts (in thousands):

	September 30, 2023	December 31, 2022
Cash	$ 144,891	$ 151,180
Restricted cash—short term	2,641	2,647
Restricted cash—noncurrent	238	233
Total cash and restricted cash	$ 147,770	$ 154,060

	September 30, 2023	December 31, 2022
Accounts receivable	$ 173,001	$ 145,380
Due from Factor	79,596	91,061
Allowance for doubtful accounts	(1,518)	(785)
Accounts receivable, net	$ 251,079	$ 235,656

On September 29, 2022, one of our fully consolidated subsidiaries entered into an accounts receivable factoring agreement ("Factoring Agreement") with a third-party financial institution ("Factor"). Pursuant to the terms of the arrangement, we sell certain of our customer receivables on a non-recourse basis to the Factor. Proceeds from factoring the accounts receivable are due upon collection of payments from the customers, but upon our request, the Factor may, at their sole discretion, remit a portion of the proceeds to us prior to their collection of payments from the customers. Our obligations to the Factor arising from the Factoring Agreement are secured by certain assets of our subsidiary. In the three and nine months ended September 30, 2023, we sold receivables of $97.9 million and $265.4 million to the Factor, respectively, and we also received cash proceeds of $89.3 million and $276.2 million from the Factor, respectively. In the three months ended September 30, 2022, we sold receivables and received cash proceeds of $66.3 million and $40.6 million, respectively. The cost of factoring is included in sales, general and administrative expenses in our condensed consolidated statements of operations and the amounts incurred in the three and nine months ended September 30, 2023 and 2022 were immaterial. The Factoring Agreement was terminated on October 2, 2023 and we no longer sell our customers' receivables to the Factor. The balance from the Factor as of September 30, 2023 will be collected before December 31, 2023.

Besides the Factor, one other customer represented 24.4% and 23.4% of our accounts receivable, net balance as of September 30, 2023 and December 31, 2022, respectively.

	September 30, 2023	December 31, 2022
Raw materials	$ 55,016	$ 49,926
Work in progress	10,081	4,171
Finished goods	170,459	138,620
Inventories	$ 235,556	$ 192,717

	September 30, 2023	December 31, 2022
Manufacturing equipment	$ 32,684	$ 28,993
Leasehold improvements	19,579	18,903
Computer equipment, software and office equipment	17,721	16,205
Furniture and fixtures	3,969	3,277
Total property and equipment	$ 73,953	$ 67,378
Less: Accumulated depreciation and amortization	(40,883)	(32,451)
Property and equipment, net	$ 33,070	$ 34,927

	September 30, 2023	December 31, 2022
Right-of-use assets	$ 38,593	$ 45,175
Deferred tax asset	28,560	23,569
Other	6,957	6,546
Other assets	$ 74,110	$ 75,290

	September 30, 2023	December 31, 2022
Accrued reserves for customer incentive programs	$ 54,926	$ 58,621
Accrued reserves for sales return	31,473	27,199
Accrued payroll and related expense	17,764	10,511
Operating lease liabilities, current	10,543	11,051
Income tax payable	8,439	5,322
Sales tax and value added tax payable	7,953	9,376
Accrued freight expenses	7,831	12,486
Contract liabilities	4,469	6,259
Other	23,738	23,645
Other liabilities and accrued expenses	$ 167,136	$ 164,470

	September 30, 2023	December 31, 2022
Operating lease liabilities, noncurrent	$ 39,918	$ 45,457
Other	2,846	3,132
Other liabilities, noncurrent	$ 42,764	$ 48,589

8. Debt

Our debt consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Term Loan (variable rate) due September 2026	$ 223,750	$ 240,000
Debt discount and issuance cost, net of amortization	(1,047)	(1,335)
Total debt, net	222,703	238,665
Less: debt maturing within one year, net	12,130	6,495
Long-term debt, net	$ 210,573	$ 232,170

Credit Agreement

On September 3, 2021, we entered into a new Credit Agreement (as amended, the “Credit Agreement”) which provides for a $100.0 million five-year revolving credit facility (“Revolving Facility”) and a $250.0 million five-year term loan facility (“Term Loan”), with each maturing in September 2026. The Credit Agreement also permits, subject to conditions stated therein, additional incremental facilities in a maximum aggregate principal amount not to exceed $250.0 million. We may prepay the Term Loan and the Revolving Facility at any time without premium or penalty. We prepaid $3.75 million and $12.5 million of the Term Loan principal in the year ended December 31, 2022 and in the nine months ended September 30, 2023, respectively.

The Term Loan and Revolving Facility under the Credit Agreement initially carried interest at the Company’s election at either (a) LIBOR plus a percentage spread (ranging from 1.25% to 2.0%) based on our total net leverage ratio, or (b) the base rate (described in the Credit Agreement as the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) one-month LIBOR plus 1.0%) plus a percentage spread (ranging from 0.25% to 1.0%) based on our net leverage ratio. The Credit Agreement also requires the payment of a commitment fee on the daily unused portion of the Revolving Facility, which initially ranged from 0.2% to 0.35% based on our total net leverage ratio.

The Credit Agreement contains covenants with which we must comply during the term of the agreement, which we believe are ordinary and standard for agreements of this nature. The financial covenants include the maintenance of a maximum Consolidated

Total Net Leverage Ratio of 3.0 to 1.0 and a minimum Consolidated Interest Coverage Ratio of 3.0 to 1.0 (as defined in the Credit Agreement). The Credit Agreement also includes events of default customary for facilities of this nature and upon the occurrence of such events of default, among other things, all outstanding amounts under the Credit Agreement may be accelerated and/or the lenders' commitments terminated. In addition, upon the occurrence of certain events of default, the interest on the Term loan and Revolving Facility can be increased by 2.0%.

Our obligations under the Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries and secured by a security interest in substantially all assets of the Company and the guarantor subsidiaries, subject to certain exceptions detailed in the Credit Agreement and related ancillary documentation.

On June 30, 2022, we entered into a First Amendment of the Credit Agreement ("First Amendment"), which among other changes resulted in the Bloomberg Short-Term Bank Yield Index rate ("BSBY") being utilized as a replacement rate for LIBOR. Consequently, following the First Amendment, the Term Loan and Revolving Facility will each bear interest at the Company's election at either (a) BSBY plus a percentage spread (ranging from 1.25% to 2.25%) based on our total net leverage ratio, or (b) the base rate (as described in the Credit Agreement) as the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) one-month BSBY plus 1.0% plus a percentage spread (ranging from 0.25% to 1.25%) based on our total net leverage ratio. In addition, pursuant to the First Amendment, the maximum permitted Consolidated Total Net Leverage Ratio was also amended to increase to 3.5 to 1.0 between the quarters ending September 30, 2022 through and including March 31, 2023, and such ratio will revert to 3.0 to 1.0 from the quarter ended June 30, 2023 and each quarter thereafter, provided that, upon the occurrence of a Qualified Acquisition (as defined in the Credit Agreement), such ratio can be increased to 3.5 to 1.0 temporarily provided all the requirements set forth in the Credit Agreement are met. Additionally, the commitment fee on the unused portion of the Revolving Facility was amended to range from 0.2% to 0.4% based on our total net leverage ratio.

On September 29, 2022, we entered into an accounts receivable Factoring Agreement with a Factor. See Note 7 "Balance Sheet Components – Accounts Receivable, Net" for additional information on the Factoring Agreement. In connection with the Factoring Agreement, we also entered into (i) a Second Amendment ("Second Amendment") to the Credit Agreement to permit the transactions contemplated by the Factoring Agreement and (ii) an Assignment of Factoring Proceeds and Intercreditor Agreement with the Factor and the administrative agent under the Credit Agreement to establish the respective rights of the Factor and the Credit Agreement Agent in and to the related factoring collateral.

On November 28, 2022, we entered into a Third Amendment ("Third Amendment") to the Credit Agreement that provides for, among other things, (i) a decrease in the required minimum Consolidated Interest Coverage Ratio to 2.50 to 1.00 for the quarters ending on and after March 31, 2023 through and including December 31, 2023, (ii) an increase in the maximum permitted Consolidated Total Net Leverage Ratio to 3.75 to 1.00 for the quarters ending December 31, 2022 and March 31, 2023, stepping down to 3.50 to 1.00 for the quarter ending June 30, 2023, and 3.25 to 1.00 for the quarters ending September 30, 2023 and December 31, 2023, and (iii) a modified pricing grid providing for an increased margin (ranging from 1.50% per annum to 3.25% per annum for loans bearing interest at the BSBY rate, and 0.50% per annum to 2.25% per annum for loans bearing interest at the base rate, in each case depending on the Company's total net leverage ratio) for the period of December 31, 2022 through December 31, 2023. Additionally, the commitment fee on the unused portion of the Revolving Facility was amended to range from 0.25% to 0.5% based on our total net leverage ratio, for the period of December 31, 2022 through December 31, 2023. According to the provision in the Third Amendment, with effect from January 1, 2024, the aforementioned amended terms will revert back to the terms as amended by the First Amendment, including the required minimum Consolidated Interest Coverage Ratio, the required maximum permitted Consolidated Total Net Leverage Ratio, the interest rate margin and the commitment fee on the unused portion of the Revolving Facility.

The First, Second and Third Amendment were accounted for as debt modifications.

As of September 30, 2023, we were not in default under the Credit Agreement.

As of September 30, 2023 and December 31, 2022, we had $100.0 million unused capacity under the Revolving Facility.

As of September 30, 2023 and December 31, 2022, the carrying value of our Term Loan was $222.7 million and $238.7 million, respectively. The estimated fair value of the Term Loan as of September 30, 2023, which we have classified as a Level 2 financial instrument, was approximately $221.7 million.

The effective interest rate inclusive of the debt discount and debt issuance costs was approximately 7.4% and 3.8% for the three months ended September 30, 2023 and 2022, respectively, and was approximately 7.3% and 2.5% for the nine months ended September 30, 2023 and 2022, respectively.

The following table summarizes the interest expense, net recognized for all periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Credit Agreement:				
Contractual interest expense for Term Loan	$ 4,050	$ 2,129	$ 12,372	$ 4,364
Contractual interest expense for Revolving Facility	—	489	—	964
Amortization of debt discount and issuance cost	132	102	398	274
Other interest expense	89	14	299	87
Interest income	(1,742)	—	(5,194)	—
Total interest expense, net	$ 2,529	$ 2,734	$ 7,875	$ 5,689

The estimated future principal payments under our total long-term debt as of September 30, 2023 are as follows (in thousands):

	Amounts
Remainder of 2023	$ 3,125
2024	12,500
2025	12,500
2026	195,625
2027	—
Thereafter	—
Total future principal payments	$ 223,750

9. Commitments and Contingencies

Product Warranties

Changes in our warranty obligations were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning of the period	$ 4,743	$ 4,765	$ 3,685	$ 5,655
Warranty provision related to products shipped	2,419	244	6,439	2,709
Deductions for warranty claims processed	(1,514)	(1,449)	(4,476)	(4,804)
End of period	$ 5,648	$ 3,560	$ 5,648	$ 3,560

Unconditional Purchase Obligations

In the normal course of business, we enter into various purchase commitments for goods or services. Our long-term non-cancelable purchase commitments consist primarily of multi-year contractual arrangements relating to subscriptions for cloud computing hosting arrangements for our enterprise resource planning (ERP) system and the related support services as well as marketing sponsorships. Long-term non-cancelable purchase commitments as of September 30, 2023 were as follows (in thousands):

	Amounts
Remainder of 2023	$ 490
2024	1,917
2025	348
2026	—
2027	—
Thereafter	—
Total	$ 2,755

Our total long term non-cancelable purchase commitments outstanding as of December 31, 2022 were $3.8 million.

Letters of Credit

There were no letters of credit outstanding, as of September 30, 2023 and December 31, 2022. No amounts have been drawn upon letters of credit for all periods presented.

Legal Proceedings

We may from time to time be involved in various claims and legal proceedings of a character normally incident to the ordinary course of business. Litigation can be expensive and disruptive to normal business operations, and the results of complex legal proceedings are difficult to predict, and our view of these matters may change in the future as the litigation and events related thereto unfold. We expense legal fees as incurred and we record a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on currently available information, we believe there are no existing claims or proceedings that are likely to have a material adverse effect on our financial position, or the outcome of these matters is currently not determinable. An unfavorable outcome to any legal matter, if material, could have an adverse effect on our operations or financial position, liquidity of results of operations.

Indemnification

In the ordinary course of business, we may provide indemnifications of varying scope and terms with respect to certain transactions. We have entered into indemnification agreements with directors and certain officers and employees that will require Corsair, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon Corsair to provide indemnification under such agreements, and thus, there are no claims that we are aware of that could have a material effect on our condensed consolidated balance sheets, statements of operations, or statements of cash flows. We currently have directors' and officers' insurance.

10. Stockholders' Equity

On September 25, 2020, in connection with the closing of the IPO, we filed an Amended and Restated Certificate of Incorporation which increased the authorized shares of common stock for issuance to 300,000,000 and authorized 5,000,000 shares of preferred stock, with a par value of $0.0001 per share, for issuance. There were no shares of preferred stock outstanding as of September 30, 2023 and December 31, 2022.

Shelf-Registration Statement

On July 22, 2022, we filed a shelf registration statement on Form S-3 with the SEC, which was declared effective August 1, 2022 (the "2022 Shelf Registration Statement"). The 2022 Shelf Registration Statement registered securities to be offered by us, in an amount up to $300.0 million, including common stock, preferred stock and warrants. In addition, the 2022 Shelf Registration Statement registered 54,179,559 shares of common stock held by the selling securityholders named in the 2022 Shelf Registration Statement. We will not receive any of the proceeds from the sale of the shares registered by the selling securityholders.

In November 2022, we sold 4,545,455 shares of common stock at a price of $16.50 per share in a registered underwritten public offering pursuant to the 2022 Shelf Registration Statement. Following the partial exercise in December 2022 by the underwriters of their option to purchase additional shares, we sold an additional 500,000 shares. The total proceeds from the underwritten public offering, net of underwriting discounts, commission and offering expenses, were approximately $81.0 million.

11. Equity Incentive Plans and Stock-Based Compensation

As of September 30, 2023, we have two active equity incentive plans: the 2020 Equity Incentive Plan and the Employee Stock Purchase Plan ("ESPP").

The following table summarizes stock-based compensation expense by line item in the condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 569	$ 369	$ 1,576	$ 1,034
Sales, general and administrative	6,243	4,505	18,721	13,518
Product development	1,013	769	2,972	2,329
Stock-based compensation expense, net of amounts capitalized (1)	$ 7,825	$ 5,643	$ 23,269	$ 16,881
Income tax benefits related to stock-based compensation expense	$ 118	$ 123	$ 2,696	$ 493

(1) Total stock-based compensation expense capitalized in inventory, internally developed software, and cloud computing arrangement implementation costs were not material for each of the periods presented.

The following table summarizes by type of grant, the total unrecognized stock-based compensation expense and the remaining period over which such expense is expected to be recognized (in thousands, except number of years):

	September 30, 2023	
	Unrecognized Expense	Remaining weighted average period (In years)
Stock options	$ 28,335	2.5
Restricted stock units	33,710	2.7
ESPP	466	0.4
Total unrecognized stock-based compensation expense	$ 62,511	

The total intrinsic value of options exercised was $0.6 million and $0.4 million for the three months ended September 30, 2023 and 2022, respectively, and was $10.5 million and $4.4 million for the nine months ended September 30, 2023 and 2022, respectively. The total fair value of restricted stock units vested was $2.9 million and $1.1 million for the three months ended September 30, 2023 and 2022, respectively, and was $11.2 million and $4.0 million for the nine months ended September 30, 2023 and 2022, respectively.

12. Net Income (Loss) Per Share

The following table summarizes the calculation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator				
Net loss	$ (2,886)	$ (5,945)	$ (8,613)	$ (61,064)
Less: Net income attributable to noncontrolling interest	193	266	958	33
Net loss attributable to Corsair Gaming, Inc.	(3,079)	(6,211)	(9,571)	(61,097)
Change in redemption value of redeemable noncontrolling interest	—	(2,690)	6,535	(12,330)
Net loss attributable to common stockholders of Corsair Gaming, Inc.	$ (3,079)	$ (8,901)	$ (3,036)	$ (73,427)
Denominator				
Basic weighted-average shares outstanding	102,863	95,858	102,288	95,537
Effect of dilutive securities [(1)]	—	—	—	—
Total diluted weighted-average shares outstanding	102,863	95,858	102,288	95,537
Net loss per share attributable to common stockholders of Corsair Gaming, Inc.:				
Basic	$ (0.03)	$ (0.09)	$ (0.03)	$ (0.77)
Diluted	$ (0.03)	$ (0.09)	$ (0.03)	$ (0.77)
Anti-dilutive potential common shares [(1)]	12,290	11,241	12,290	10,941

(1) Potential common share equivalents were not included in the calculation of diluted net loss per share as the effect would have been anti-dilutive.

13. Income Taxes

The table below presents our loss before income taxes, income tax benefit and effective income tax rates for all periods presented (in thousands, except percentages):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Loss before income taxes	$ (2,983)	$ (12,060)	$ (11,636)	$ (72,326)
Income tax benefit	97	6,115	3,023	11,262
Effective tax rate	3.3 %	50.7 %	26.0 %	15.6 %

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different from those in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to United States income, the utilization of net operating loss and tax credit carry forwards, changes in geographic mix of income and expense, changes in management's assessment of matters such as the ability to realize deferred tax assets, and changes in tax laws.

Our effective tax rates were 3.3% and 50.7% for the three months ended September 30, 2023 and 2022, respectively. The decrease in our effective rate in the three-month period was primarily due to a change in the mix of income and losses in the various tax jurisdictions in which we operate, partially offset by provision to return adjustments.

Our effective tax rates were 26.0% and 15.6% for the nine months ended September 30, 2023 and 2022, respectively. The increase in our effective rate in the nine-month period was primarily due to an increase in return to provision adjustments and an increase in windfall tax benefit from stock-based compensation.

Unrecognized tax benefits were $3.5 million as of September 30, 2023 and $3.6 million as of December 31, 2022, respectively, and if recognized, would favorably affect the effective income tax rate in future periods.

14. Segment and Geographic Information

We have two reportable segments:

- **Gamer and Creator Peripherals**. Includes our high-performance gaming keyboards, mice, headsets, controllers, and our streaming gear, which includes capture cards, Stream Decks, USB microphones, our Facecam streaming cameras, studio accessories and EpocCam software, among others.
- **Gaming Components and Systems**. Includes our high-performance power supply units, or PSUs, cooling solutions, computer cases, DRAM modules, as well as high-end prebuilt and custom-built gaming PCs and laptops, and gaming monitors, among others.

The segments are defined as those operations our chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. Our CODM is determined to be Corsair's Chief Executive Officer. The results of the reportable segments are derived directly from our reporting system and are based on the methods of internal reporting which are not necessarily in conformity with GAAP. Management measures net revenue and gross profit to evaluate the performance of, and allocate resources to, each of the segments.

The table below summarizes the financial information for each reportable segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue				
Gamer and Creator Peripherals	$ 90,356	$ 96,848	$ 258,053	$ 319,985
Gaming Components and Systems	272,837	214,921	784,536	656,383
Total net revenue	$ 363,193	$ 311,769	$ 1,042,589	$ 976,368
Gross Profit				
Gamer and Creator Peripherals	$ 29,928	$ 31,790	$ 82,085	$ 85,405
Gaming Components and Systems	59,425	39,770	175,504	113,370
Total gross profit	$ 89,353	$ 71,560	$ 257,589	$ 198,775

The CODM manages assets on a total company basis, not by operating segments; therefore, asset information and capital expenditures by operating segments are not presented.

Geographic Information

The following table summarizes our net revenue by geographic region based on the location of the customer (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue				
Americas	$ 181,218	$ 164,378	$ 536,143	$ 506,835
Europe and Middle East	132,641	91,092	351,212	284,521
Asia Pacific	49,334	56,299	155,234	185,012
Total net revenue	$ 363,193	$ 311,769	$ 1,042,589	$ 976,368

Revenues from sales to customers in the United States represented 42.9% and 44.7% for the three months ended September 30, 2023 and 2022, respectively, and represented 45.0% and 44.5% for the nine months ended September 30, 2023 and 2022, respectively. No other countries besides the United States represented 10% or more of total net revenue for each of the periods presented.

One customer represented 31.6% and 29.2% of our total net revenue for the three and nine months ended September 30, 2023, respectively, and represented 23.9% and 26.3% of our total net revenue for the same periods last year. Additionally, in the three and nine months ended September 30, 2022, one other customer represented 10.7% and 9.6% of our total net revenue, respectively. No other customer represented 10% or more of our total net revenue for each of the periods presented.

15. Redeemable Noncontrolling Interest

Under the Shareholders Agreement between Corsair and the iDisplay Seller a put option was provided to the iDisplay Seller to transfer to Corsair (i) 14% of their ownership interest in iDisplay upon the first anniversary of the Closing Date of the iDisplay Acquisition, and (ii) an additional 15% of their ownership interest in iDisplay upon the second anniversary of the Closing Date. The put option will expire after January 1, 2025. As of September 30, 2023, the iDisplay Seller has not exercised the put option for the transfer of the first 14% of their ownership interest to Corsair.

The exercise price of the put option is based on multiples of iDisplay's historical TTM EBITDA less any debt. The put option makes this portion of the noncontrolling interest redeemable and therefore, the RNCI is classified as temporary equity on our consolidated balance sheets and carried at the greater of the initial carrying amount, increased or decreased, for the RNCI share of comprehensive income (loss), contributions and distributions, or the redemption value. The change in redemption value is recognized through retained earnings.

The following table presents the changes in RNCI for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	$ 15,231	$ 26,749	$ 21,367	$ —
Initial carrying amount estimated at iDisplay's Closing Date	—	—	—	17,522
Share of net income	114	157	566	19
Share of other comprehensive loss	(118)	(314)	(171)	(589)
Dividend paid	(580)	(1,305)	(580)	(1,305)
Change in redemption value [(1)]	—	2,690	(6,535)	12,330
Balance at end of period	$ 14,647	$ 27,977	$ 14,647	$ 27,977

(1) These amounts represent increases or (decreases) in redemption value over the carrying value for the respective periods. These amounts were recorded as an offset to retained earnings impacting the net income (loss) used in the calculation of net income (loss) per share attributable for these periods.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q as well as in conjunction with the Risk Factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the United States Securities and Exchange Commission ("SEC") on February 27, 2023. The following discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those discussed under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022.

Overview

We are a leading global provider and innovator of high-performance gear for gamers, streamers and content creators, many of which build their own PCs using our components. Our industry-leading gaming gear helps digital athletes, from casual gamers to committed professionals, perform at their peak across PC or console platforms, and our streaming gear enables streamers and content creators to produce studio-quality content to share with friends or to broadcast to millions of fans. Our PC components products offer our customers multiple options to build their customized gaming and workstation desktop PCs. Our solution is the most complete suite of gear among our major competitors and addresses the most critical components for both game performance and streaming. Our product offering is enhanced by our two proprietary software platforms: iCUE for gamers and the Elgato streaming suite for content creators, including our Stream Deck control software, which provide unified, intuitive performance, and aesthetic control and customization across their respective product families. We also offer digital services to enhance the customer experience by integrating esports, stream deck marketplace, customer care and extended warranty into our product offerings.

We group our products into two categories (operating segments):

- **Gamer and creator peripherals.** Includes our high-performance gaming keyboards, mice, headsets, controllers, and streaming gear, which includes capture cards, Stream Decks, USB microphones, our Facecam streaming cameras, studio accessories, and EpocCam software, among others.
- **Gaming components and systems.** Includes our high-performance power supply units, or PSUs, cooling solutions, computer cases, and DRAM modules, as well as high-end prebuilt and custom-built gaming PCs and laptops, and gaming monitors, among others.

We are committed to continuing to grow in our current markets as well as new markets through the development of innovative technologies and by entering into new categories through organic growth or acquisition. In 2022 and 2021, we entered into four new markets, namely the microphones and cameras markets for content creators, the gaming monitors market and prebuilt gaming laptops market for both gamers and content creators. We continue to expand our product portfolio, launching 81 new products in the first nine months of 2023, including our new FLEX OLED bendable monitor, engineered in partnership with LG, and new products in our Stream Deck product family, which further enhances the speed and workflows in streaming and content creation. In addition, with lower priced GPUs coming to market and new game titles being released this year, we believe that the gaming market will continue to grow.

In July 2023, we completed the Drop Acquisition where we acquired Drop's assets and business, including the assumption of trade payables and certain accrued liabilities for a cash purchase consideration of approximately $14.2 million, net of $0.6 million of cash acquired. Drop, a community-based e-commerce company headquartered in San Francisco, California, specializes in customized DIY keyboards and keycaps. We expect this acquisition to give Corsair a leading presence in the personalized keyboards market which is one of the fastest growing trends in the gaming peripheral space as well as allow us to offer specialized Corsair and Elgato products to the enthusiast community that Drop is engaged with. Drop's operating results are included in our gamer and creator peripherals segment with effect from July 14, 2023.

Summary of Financial Results

Our net revenue for the three and nine months ended September 30, 2023 increased by 16.5% and 6.8%, respectively, as compared to the same periods last year, primarily driven by an increase in sales in our gaming components and systems segment, but partially offset by a decrease in sales in our gamer and peripherals segment.

Our gross margin increased from 23.0% to 24.6% for the three months ended September 30, 2023, as compared to the same period last year, and increased from 20.4% to 24.7% for the nine months ended September 30, 2023, as compared to the same period last year.

As of September 30, 2023, we had cash and restricted cash, in the aggregate of $147.8 million and the principal balance outstanding of the Term Loan was $223.8 million. Cash provided by operations was $32.1 million and $45.1 million in the nine months ended September 30, 2023 and 2022, respectively.

Key Factors Affecting Our Business

Our results of operations and financial condition are affected by numerous factors, including those discussed under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 and those described below.

Impact of Macroeconomic Conditions

Our business and financial performance are significantly impacted by worldwide economic conditions. Global macroeconomic challenges, such as the effects of the ongoing war between Russia and Ukraine, supply chain constraints, market uncertainty, and the risk of a recession, volatility in exchange rates, inflationary trends, lingering impacts from the COVID-19 pandemic and evolving dynamics in the global trade environment, have impacted our business and financial performance. Throughout 2022, these conditions adversely impacted our net revenue and resulted in higher cost of sales due to increased shipping and production costs. Such conditions also resulted in excess inventory in our distribution channels that led to our recognizing higher inventory impairment related charges in 2022 in order to rationalize our inventory levels to align with the reduced revenue in the period. These market dynamics, which we expect will continue in the short-term, have created new and different demand dynamics in our markets and have had significant impacts on our financial results.

The extent of the impact of macroeconomic conditions, geopolitical tensions and the lingering effects from the COVID-19 pandemic on our business, sales, results of operations, cash flows and financial condition will depend on future developments, which are not within our control and are highly uncertain and cannot be predicted. We will continue to evaluate these risks and uncertainties and further our mitigation plans.

Impact of fluctuations in Currency Exchange Rate

We are exposed to fluctuations in foreign currency exchange rates. Some of our international sales are denominated in foreign currencies and any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct sales in foreign countries may negatively impact our revenue. For example, our net revenue for the year ended December 31, 2022 was in part negatively impacted by the strengthening of the U.S. dollar against the Euro and the British Pound. In addition, we generally pay our employees located outside the United States in the local currency, with a significant portion of those payments being made in Taiwan dollars and Euros. As a result of our foreign sales and operations, we have other expenses, assets and liabilities that are denominated in foreign currencies, in particular the Euro, British Pound, Chinese Yuan and New Taiwan Dollar.

Impact of Industry Trends

Our results of operations and financial condition are impacted by industry trends in the gaming market, including:

- *Increasing gaming engagement.* We believe that gaming’s increasing time share of global entertainment consumption will drive continued growth in spending on both games and gaming gear. Gaming continues to become increasingly social, as streaming viewership becomes more widely adopted with increasing numbers of content creators. This trend, which has accelerated in the past few years experienced a setback in 2022 primarily due to challenging macroeconomic conditions and the ongoing war between Russia and Ukraine. Nonetheless, we have seen some recovery starting from the fourth quarter of 2022. Accordingly, we believe that the acceleration trend will continue in the remainder of 2023 and that we are well-positioned to serve the streaming market with best-in-class tools for content creation.
- *Introduction of new high-performance computing hardware and sophisticated games*. We believe that the introduction of more powerful CPUs and GPUs that place increased demands on other system components, such as memory, power supply or cooling, has a significant effect on increasing the demand for our gear. The shortage of reasonably priced GPUs since the second half of 2021 had a negative impact on our gaming component revenue, but starting from the third quarter of 2022, we saw the availability of reasonably priced GPUs began to normalize which brought along some positive effects to the self-built PC market. In addition, we believe that our business success depends in part on the introduction and success of games with sophisticated graphics that place increasing demands on system processing speed and capacity and therefore require more powerful CPUs or GPUs, which in turn drives demand for our high-performance gaming components and systems, such as PSUs and cooling solutions, and our gaming PC memory. As a result, our operating results may be materially affected by the timing of, and the rate at which computer hardware companies introduce, new and enhanced CPUs and GPUs, the timing of, and rate at which computer game companies and developers introduce, sophisticated new and improved games that require increasingly high levels of system and graphics processing power, and whether these new products and games are widely accepted by gamers.

Impact of Product Mix

Our gamer and creator peripherals segment has a higher gross margin than our gaming components and systems segment. As a result, our overall gross margin is affected by changes in product mix. External factors can have an impact on our product mix, such as popular game releases that can increase sales of peripherals and availability of new CPUs and GPUs that can impact component sales. In addition, within our gamer and creator peripherals and gaming components and systems segments, gross margin varies between products, and significant shifts in product mix within either segment may also significantly impact our overall gross margin.

Impact of Customer Concentration

We operate a global sales network that consists primarily of retailers (including e-retailers), as well as distributors we use to access certain retailers. Further, a limited number of retailers and distributors represent a significant portion of our net revenue, with e-retailer Amazon accounting for 29.2% and 26.3% of our net revenue for the nine months ended September 30, 2023 and 2022, respectively, and sales to our ten largest customers accounting for approximately 54.9% and 52.0% of our net revenue for the nine months ended September 30, 2023 and 2022, respectively. Our customers, including Amazon, typically do not enter into long-term agreements to purchase our gear but instead enter into purchase orders with us. As a result of this concentration and the lack of long-term agreements with our customers, a primary driver of our net revenue and operating performance is maintaining good relationships with these retailers and distributors. To help maintain good relationships, we implement initiatives such as our updated packaging design which helps e-retailers such as Amazon process our packages more efficiently. Further, given our global operations, a significant percentage of our expenses relate to shipping costs. Our ability to effectively optimize these shipping expenses, for example utilizing expensive shipping options such as air freight for smaller packages and more urgent deliveries and more cost-efficient options, such as train or boat, for other shipments, has an impact on our expenses and results of operations.

Impact of New Product Introductions

Gamers demand new technology and product features, and we expect our ability to accurately anticipate and meet these demands will be one of the main drivers for any future sales growth and market share expansion. While we intend to continue to develop and release new products, there can be no assurance that our new product introductions will have a favorable impact on our operating results or that customers will choose our new gear over those of our competitors.

Impact of Seasonal Sales Trends

We have experienced and expect to continue to experience seasonal fluctuations in sales due to the buying patterns of our customers and spending patterns of gamers. Our net revenue has generally been lower in the first and second calendar quarters due to lower consumer demand following the fourth quarter holiday season and because of the decline in sales that typically occurs in anticipation of the introduction of new or enhanced CPUs, GPUs, and other computer hardware products, which usually take place in the second calendar quarter, and which tend to drive sales in the following two quarters. Further, our net revenue tends to be higher in the third and fourth calendar quarters due to seasonal sales such as “Black Friday” and “Cyber Monday”, as well as “Singles Day” in China, as retailers tend to make purchases in advance of these sales. Our sales also tend to be higher in the fourth quarter due to the introduction of new consoles and high-profile games in connection with the holiday season. As a consequence of seasonality, our net revenue for the second calendar quarter is generally the lowest of the year followed by the first calendar quarter.

Impact of Fluctuations in Integrated Circuits Pricing

Integrated circuits, or ICs, account for most of the cost of producing our high-performance memory products. IC prices are subject to pricing fluctuations which can affect the average sales prices of memory modules, and thus impact our net revenue, and can have an effect on gross margins. The impact on net revenues can be significant as our high-performance memory products, included within our gaming components and systems segment, represent a significant portion of our net revenue.

Components of our Operating Results

Net Revenue

We generate materially all of our net revenue from the sale of gamer and creator peripherals and gaming components and systems to retailers, including online retailers, gamers and distributors worldwide. Our revenue is recognized net of allowances for returns, discounts, sales incentives and any taxes collected from customers.

Cost of Revenue

Cost of revenue consists of product costs, including costs of contract manufacturers, inbound freight costs from manufacturers to our distribution hubs as well as inter-hub shipments, cost of materials and overhead, duties and tariffs, warranty replacement cost to process and rework returned items, depreciation of tooling equipment, warehousing costs, inventory write-downs and certain allocated costs related to facilities and information technology, or IT, and personnel-related expenses and other operating expenses related to supply chain logistics.

Operating Expenses

Operating expenses consist of sales, general and administrative expenses and product development expenses.

Sales, general and administrative. Sales, general and administrative, or SG&A, expenses represent the largest component of our operating expenses and consist of distribution costs, sales, marketing and other general and administrative costs. Distribution costs include outbound freight and the costs to operate our distribution hubs. Sales and marketing costs relate to the costs to operate our global sales force that works in conjunction with our channel partners, gaming team and event sponsorships, advertising and marketing promotions of our products and services, costs of maintaining our web store and credit card processing fees related to sales on our webstore, personnel-related cost and allocated overhead costs. General and administrative costs consist primarily of personnel-related expenses for our finance, legal, human resources, IT and administrative personnel, as well as the costs of professional services related to these functions and allocated overhead costs.

Product development. Product development costs are generally expensed as incurred. Product development costs consist primarily of the costs associated with the design and testing of new products and improvements to existing products. These costs relate primarily to compensation of personnel and consultants involved with product design, definition, compatibility testing and qualification, as well as depreciation costs of equipment used, prototype material costs and allocated overhead costs.

Interest Expense, Net

Interest expense, net consists of interest associated with our debt financing arrangements, including our revolving line of credit, and amortization of debt issuance costs and debt discounts. Interest income earned on our cash and restricted cash balance is included within interest expense, net as an offset to interest expense.

Other (Expense) Income, Net

Other (expense) income, net consists primarily of our foreign currency exchange gains and losses relating to transactions and remeasurement of asset and liability balances denominated in foreign currencies, and net fair value gains and losses from our foreign currency forward contracts.

Income Tax Benefit

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different from those in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to United States income, the utilization of foreign tax credits and changes in tax laws. Deferred tax assets are reduced through the establishment of a valuation allowance, if, based upon available evidence, it is determined that it is more likely than not that the deferred tax assets will not be realized.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the tax and financial reporting bases of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in future years in which those temporary differences are expected to be recovered or settled.

Net Income Attributable to Noncontrolling Interest

Net income attributable to noncontrolling interest represents the share of the net income of iDisplay attributable to the 49% ownership interest of iDisplay we did not acquire.

Results of Operations

The following tables set forth the components of our condensed consolidated statements of operations, in dollars (thousands) and as a percentage of total net revenue, for each of the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue	$ 363,193	$ 311,769	$ 1,042,589	$ 976,368
Cost of revenue	273,840	240,209	785,000	777,593
Gross profit	89,353	71,560	257,589	198,775
Operating expenses:				
Sales, general and administrative	74,000	66,932	211,482	216,456
Product development	16,111	15,616	48,542	50,752
Total operating expenses	90,111	82,548	260,024	267,208
Operating loss	(758)	(10,988)	(2,435)	(68,433)
Other (expense) income:				
Interest expense, net	(2,529)	(2,734)	(7,875)	(5,689)
Other (expense) income, net	304	1,662	(1,326)	1,796
Total other expense, net	(2,225)	(1,072)	(9,201)	(3,893)
Loss before income taxes	(2,983)	(12,060)	(11,636)	(72,326)
Income tax benefit	97	6,115	3,023	11,262
Net loss	(2,886)	(5,945)	(8,613)	(61,064)
Less: Net income attributable to noncontrolling interest	193	266	958	33
Net loss attributable to Corsair Gaming, Inc.	$ (3,079)	$ (6,211)	$ (9,571)	$ (61,097)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	75.4	77.0	75.3	79.6
Gross profit	24.6	23.0	24.7	20.4
Operating expenses:				
Sales, general and administrative	20.4	21.5	20.3	22.2
Product development	4.4	5.0	4.7	5.2
Total operating expenses	24.8	26.5	24.9	27.4
Operating loss	(0.2)	(3.5)	(0.2)	(7.0)
Other (expense) income:				
Interest expense, net	(0.7)	(0.9)	(0.8)	(0.6)
Other (expense) income, net	0.1	0.5	(0.1)	0.2
Total other expense, net	(0.6)	(0.4)	(0.9)	(0.4)
Loss before income taxes	(0.8)	(3.9)	(1.1)	(7.4)
Income tax benefit	—	2.0	0.3	1.2
Net loss	(0.8)	(1.9)	(0.8)	(6.2)
Less: Net income attributable to noncontrolling interest	0.1	0.1	0.1	0.0
Net loss attributable to Corsair Gaming, Inc.	(0.9)%	(2.0)%	(0.9)%	(6.2)%

Components of Results of Operations

Net Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
Net revenue	$ 363,193	$ 311,769	$ 1,042,589	$ 976,368

Net revenue increased by 16.5% for the three months ended September 30, 2023 as compared to the same period last year. The increase was due to a 26.9% increase in sales for our gaming components and systems segment, which was partially offset by a 6.7% decrease in sales for our gamer and creator peripherals segment.

Net revenue increased by 6.8% for the nine months ended September 30, 2023 as compared to the same period last year. The increase was due to a 19.5% increase in sales for our gaming components and systems segment, which was partially offset by a 19.4% decrease in sales for our gamer and creator peripherals segment.

Overall, the demand was higher for most of our components and systems products in both the three- and nine-month periods ended September 30, 2023, as compared to the same periods last year, primarily driven by the self-built PC market expansion due to the increase in availability of new and reasonably priced GPUs and CPUs as well as the release of new game titles. The increase in demand for our components and systems products was partially offset by a decrease in demand in both the three- and nine-month periods for our peripherals products primarily due to the challenging macroeconomic environment, including the adverse impacts from the war between Russia and Ukraine as well as inflationary trends.

Gross Profit and Gross Margin

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands, except percentages)			
Gross profit	$ 89,353	$ 71,560	$ 257,589	$ 198,775
Gross margin	24.6 %	23.0 %	24.7 %	20.4 %

Gross margin increased by 1.6% for the three months ended September 30, 2023 as compared to the same period last year primarily due to an improvement in product costs from suppliers, new products introduced at a higher margin, and lower freight costs as the elevated freight rates caused by the COVID-19 pandemic have normalized near to pre-pandemic levels.

Gross margin increased by 4.3% for the nine months ended September 30, 2023 as compared to the same period last year primarily due to lower inventory impairment and related charges in 2023 as compared to 2022 and the factors discussed above. In the second quarter of 2022 we implemented an inventory rationalization plan to align the inventory balance with reduced 2022 demand post-pandemic. The increase in gross margin for the nine-month period was also due to an improvement in product costs from suppliers, new products introduced at a higher margin, and lower freight costs.

Sales, General and Administrative (SG&A)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
Sales, general and administrative	$ 74,000	$ 66,932	$ 211,482	$ 216,456

SG&A expenses increased 10.6% for the three months ended September 30, 2023 as compared to the same period last year primarily due to higher personnel-related costs, the inclusion of Drop's post-acquisition SG&A expenses, and higher marketing and other expenses. These increases were partially offset by lower freight costs due to a reduction in freight rates.

SG&A expenses decreased 2.3% for the nine months ended September 30, 2023 as compared to the same period last year. The majority of the decrease in SG&A expense was due to lower freight costs driven by lower freight rates. The remaining decrease in SG&A expense was primarily due to lower marketing and advertising expenses and lower amortization of capitalized cloud computing implementation costs, which were partially offset by higher personnel-related costs.

Product Development

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
Product development	$ 16,111	$ 15,616	$ 48,542	$ 50,752

Product development expenses increased 3.2% for the three months ended September 30, 2023 as compared to the same period last year primarily due to higher personnel-related costs.

Product development expenses decreased 4.4% for the nine months ended September 30, 2023 as compared to the same period last year primarily due to lower personnel-related costs and lower allocation of corporate IT-related and facility-related costs.

Interest Expense, Net and Other (Expense) Income, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
Interest expense, net	$ (2,529)	$ (2,734)	$ (7,875)	$ (5,689)
Other (expense) income, net	304	1,662	(1,326)	1,796

Interest expense, net decreased 7.5%, for the three months ended September 30, 2023 as compared to the same period last year. The decrease in interest expense, net was primarily due to a $1.7 million interest income earned in the three months ended September 30, 2023 which offsets the increase in interest expense on our Term Loan from a higher interest rate. There was no interest income earned in the three months ended September 30, 2022.

Interest expense, net increased 38.4%, for the nine months ended September 30, 2023 as compared to the same period last year. The increase in interest expense, net was primarily due to a higher interest rate on our Term Loan compared to the same period last year, which was partially offset by $5.2 million interest income earned in the nine months ended September 30, 2023. There was no interest income earned in the nine months ended September 30, 2022.

Other (expense) income, net is primarily comprised of foreign exchange gains and losses on cash, accounts receivable and intercompany balances denominated in currencies other than the functional currencies of our subsidiaries. Our foreign currency exposure is primarily driven by fluctuations in the foreign currency exchanges rates of the Euro, British Pound and the Chinese Yuan.

Income Tax Benefit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)			
Loss before income taxes	$ (2,983)	$ (12,060)	$ (11,636)	$ (72,326)
Income tax benefit	97	6,115	3,023	11,262
Effective tax rate	3.3 %	50.7 %	26.0 %	15.6 %

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different from those in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to United States income, the utilization of net operating loss and tax credit carry forwards, changes in geographic mix of income and expense, changes in management's assessment of matters such as the ability to realize deferred tax assets, and changes in tax laws.

Our effective tax rates were 3.3% and 50.7% for the three months ended September 30, 2023 and 2022, respectively. The decrease in our effective rate in the three-month period was primarily due to a change in the mix of income and losses in the various tax jurisdictions in which we operate, partially offset by provision to return adjustments.

Our effective tax rates were 26.0% and 15.6% for the nine months ended September 30, 2023 and 2022, respectively. The increase in our effective rate in the nine-month period was primarily due to an increase in return to provision adjustments and an increase in windfall tax benefit from stock-based compensation.

Segment Results

Segment Net Revenue

The following table sets forth our net revenue by segment expressed both in dollars (thousands) and as a percentage of net revenue:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
Gamer and Creator Peripherals Segment	$ 90,356	24.9 %	$ 96,848	31.1 %	$ 258,053	24.8 %	$ 319,985	32.8 %
Gaming Components and Systems Segment								
Memory Products	131,713	36.3	115,194	36.9	371,931	35.7	346,468	35.5
Other Component Products	141,124	38.9	99,727	32.0	412,605	39.6	309,915	31.7
	272,837	75.1	214,921	68.9	784,536	75.2	656,383	67.2
Total Net Revenue	$ 363,193	100.0 %	$ 311,769	100.0 %	$ 1,042,589	100.0 %	$ 976,368	100.0 %

Gamer and Creator Peripherals Segment

Net revenue of the gamer and creator peripherals segment decreased 6.7% and 19.4% for the three and nine months ended September 30, 2023, respectively, as compared to the same periods last year primarily due to demand softness across all products in this segment driven mainly by a challenging macroeconomic environment, including the adverse impacts from the war between Russia and Ukraine and inflationary pressure on consumer spending.

Gaming Components and Systems Segment

Net revenue of the gaming components and systems segment increased 26.9% and 19.5% for the three and nine months ended September 30, 2023, respectively, as compared to the same periods last year due to increases in sales in nearly all product categories. The increase in the three- and nine-month periods was primarily driven by the strong self-built PC market activity triggered by the release of new game titles and launch of new, reasonably priced graphics cards that were readily available.

Segment Gross Profit and Gross Margin

The following table sets forth our gross profit expressed in dollars (thousands) and gross margin (which we define as gross profit as a percentage of net revenue) by segment:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
Gamer and Creator Peripherals Segment	$ 29,928	33.1 %	$ 31,790	32.8 %	$ 82,085	31.8 %	$ 85,405	26.7 %
Gaming Components and Systems Segment								
Memory Products	21,074	16.0	16,595	14.4	57,780	15.5	46,545	13.4
Other Component Products	38,351	27.2	23,175	23.2	117,724	28.5	66,825	21.6
	59,425	21.8	39,770	18.5	175,504	22.4	113,370	17.3
Total Gross Profit	$ 89,353	24.6 %	$ 71,560	23.0 %	$ 257,589	24.7 %	$ 198,775	20.4 %

Gamer and Creator Peripherals Segment

The gross margin of the gamer and creator peripherals segment remained relatively consistent for the three months ended September 30, 2023 and increased by 5.1% for the nine months ended September 30, 2023 as compared to the same periods last year. The increase in the nine-month period was primarily attributable to lower inventory impairment and related charges in 2023 as compared to 2022. The increase in gross margin was also due to improvements in product cost from suppliers, newer products that carry a higher margin, and lower freight costs.

Gaming Components and Systems Segment

The gross margin of the gaming components and systems segment increased by 3.3% and 5.1% for the three and nine months ended September 30, 2023, respectively, as compared to the same periods last year. The increase in the three- and nine-month periods was primarily attributable to lower product cost from suppliers, new products introduced at a higher margin, improvements in freight costs, and lower inventory impairment and related charges in 2023 as compared to 2022.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity have been the payments received from customers purchasing our products, the borrowings under our Credit Agreement (defined below) and the net proceeds we received from our underwritten public offerings.

On September 29, 2022, one of our subsidiaries entered into an accounts receivable Factoring Agreement with a third-party financial institution, or the Factor. Pursuant to the terms of the arrangement, we sell certain of our customer receivables on a non-recourse basis to the Factor. The Factoring Agreement was terminated on October 2, 2023 and we no longer sell our customers receivables to the Factor. The balance from the Factor as of September 30, 2023 will be collected before December 31, 2023.

Our principal uses of cash generally will include purchases of inventory, payroll and other operating expenses related to the development and marketing of our products, capital expenditure, repayments of debt and related interest, income tax payments, future investments in business and technology, and selective mergers and acquisitions.

As of September 30, 2023, we had cash and restricted cash, in aggregate of $147.8 million. We believe that the anticipated cash flows from operations based on our current business outlook, combined with our current levels of cash balances at September 30, 2023, supplemented with the borrowings under our Revolving Facility will be sufficient to fund our principal uses of cash for at least the next twelve months. In the longer term, liquidity will depend to a great extent on our future revenues and our ability to appropriately manage our costs based on the demand for our products. We may require additional funding and need or choose to raise the required funds through borrowings or public or private sales of debt or equity securities. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financial covenants that would restrict our operations. There can be no assurance that any such equity or debt financing will be available on favorable terms, or at all.

Liquidity

The following table summarizes our cash flows for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	$ 32,060	$ 45,142
Investing activities	(25,004)	(40,479)
Financing activities	(13,205)	(3,927)

Cash Flows from Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2023 was $32.1 million and consisted of non-cash adjustments of $56.0 million, offset partially by a net loss of $8.6 million and a net cash outflow of $15.4 million from changes in our net operating assets and liabilities. The non-cash adjustments primarily consisted of amortization, depreciation and stock-based compensation expense, which were partially offset by changes in deferred income taxes. The net cash outflow from changes in our net operating assets and liabilities was primarily related to an increase in accounts receivable from timing of receipts and an increase in inventories due to higher purchases. These net cash outflows were partially offset by an increase in accounts payable.

Net cash provided by operating activities for the nine months ended September 30, 2022 was $45.1 million and consisted of $65.3 million net cash inflow from changes in our net operating assets and liabilities, partially offset by our net loss of $61.1 million, which included non-cash adjustments of $40.9 million. The net cash inflow from changes in our net operating assets and liabilities was primarily related to a decrease in accounts receivable mainly from the cash we received from the Factor during the period and a decrease in inventories mainly from lower purchases. These net cash inflows were partially offset by a decrease in accounts payable and other liabilities and accrued expenses. The non-cash adjustments primarily consisted of amortization, depreciation, stock-based compensation expense and changes in deferred income taxes.

Cash Flows from Investing Activities

Cash used in investing activities was $25.0 million for the nine months ended September 30, 2023 and consisted of cash used for the Drop Acquisition and capital expenditure primarily for equipment and software.

Cash used in investing activities was $40.5 million for the nine months ended September 30, 2022 and primarily consisted of cash used for the iDisplay Acquisition and capital expenditure, including renovation and furnishing of our new headquarters in Milpitas, California.

Cash Flows from Financing Activities

Cash used in financing activities was $13.2 million for the nine months ended September 30, 2023 and primarily consisted of cash used for repayment of debt and payment of taxes related to net share settlement of equity awards, as well as payment of dividends to noncontrolling interest, partially offset by proceeds received from the issuance of shares through the employee equity incentive plans. We did not borrow from our Revolving Facility for the nine months ended September 30, 2023.

Cash used in financing activities was $3.9 million for the nine months ended September 30, 2022 and primarily consisted of cash used for repayment of debt and payment of taxes related to net share settlement of equity awards, as well as payment of dividends to noncontrolling interest, partially offset by proceeds received from the issuance of shares through the employee equity incentive plans. During the nine months ended September 30, 2022, we also borrowed $626.0 million from our Revolving Facility to fund our operations and the full amount was repaid within the same period.

Capital Resources

Credit Agreement (Term Loan and Revolving Facility)

On September 3, 2021, we refinanced the First Lien Credit and Guaranty Agreement with a new Credit Agreement. The new Credit Agreement provides for a total commitment of $350.0 million, consisting of a $100.0 million revolving credit facility and a $250.0 million term loan facility.

The Credit Agreement is available for a period of five years, maturing September 2026, and provides for additional incremental facilities up to a maximum aggregate principal amount of $250.0 million, subject to the satisfaction of certain conditions. We may prepay the Term Loan and the Revolving Facility at any time without premium or penalty. We prepaid $3.75 million and $12.5 million of the Term Loan principal in the year ended December 31, 2022 and in the nine months ended September 30, 2023, respectively.

The Term Loan and Revolving Facility under the Credit Agreement will each bear interest at our election, either (a) LIBOR plus a percentage spread (ranging from 1.25% to 2.0%) based on our total net leverage ratio, or (b) the base rate (described in the Credit Agreement as the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) one-month LIBOR plus 1.0%) plus a percentage spread (ranging from 0.25% to 1.0%) based on our total net leverage ratio. The Credit Agreement also requires the payment of a commitment fee on the daily unused portion of the Revolving Facility, which initially ranged from 0.2% to 0.35% based on our total net leverage ratio.

Our obligations under the Credit Agreement are guaranteed by substantially all of our U.S. subsidiaries and secured by a security interest in substantially all assets of the Company and the guarantor subsidiaries, subject to certain exceptions detailed in the Credit Agreement and related ancillary documentation.

On June 30, 2022, we entered into a First Amendment of the Credit Agreement (“First Amendment”) which, among other changes, resulted in the Bloomberg Short-Term Bank Yield Index rate (“BSBY”) being utilized as a replacement rate for LIBOR. Consequently, following the First Amendment, the Term Loan and Revolving Facility will each bear interest at our election at either (a) BSBY plus a percentage spread (ranging from 1.25% to 2.25%) based on our total net leverage ratio, or (b) the base rate (as described in the Credit Agreement) as the greatest of (i) the prime rate, (ii) the federal funds rate plus 0.50% and (iii) one-month BSBY plus 1.0%) plus a percentage spread (ranging from 0.25% to 1.25%) based on our total net leverage ratio. In addition, pursuant to the First Amendment, the maximum permitted Consolidated Total Net Leverage Ratio was also amended to increase to 3.5 to 1.0 between the quarters ending September 30, 2022 through and including March 31, 2023, and such ratio will revert to 3.0 to 1.00 from the quarter ended June 30, 2023 and each quarter thereafter; provided, that upon the occurrence of a Qualified Acquisition (as defined in the Credit Agreement), such ratio can be increased to 3.5 to 1.0 temporarily provided all the requirements set forth in the Credit Agreement are met. Additionally, the commitment fee on the unused portion of the Revolving Facility was amended to range from 0.2% to 0.4% based on our total net leverage ratio.

On November 28, 2022, we entered into a Third Amendment (“Third Amendment”) to the Credit Agreement which provides for, among other things: (i) a decrease in the required minimum Consolidated Interest Coverage Ratio to 2.50 to 1.00 for the quarters ending on and after March 31, 2023 through and including December 31, 2023; (ii) an increase in the maximum permitted Consolidated Total Net Leverage Ratio to 3.75 to 1.00 for the quarters ending December 31, 2022 and March 31, 2023, stepping down to 3.50 to 1.00 for the quarter ending June 30, 2023, and 3.25 to 1.00 for the quarters ending September 30, 2023 and December 31, 2023; and (iii) a modified pricing grid providing for an increased margin (ranging from 1.50% per annum to 3.25% per annum for loans bearing interest at the BSBY rate, and 0.50% per annum to 2.25% per annum for loans bearing interest at the base rate, in each case depending on our total net leverage ratio) for the period of December 31, 2022 through December 31, 2023. Additionally, the commitment fee on the unused portion of the Revolving Facility was amended to range from 0.25% to 0.5% based on our total net leverage ratio, for the period of December 31, 2022 through December 31, 2023. According to the provision in the Third Amendment, with effect from January 1, 2024, the aforementioned amended terms will revert back to the terms as amended by the First Amendment, including the required minimum Consolidated Interest Coverage Ratio, the required maximum permitted Consolidated Total Net Leverage Ratio, the interest rate margin and the commitment fee on the unused portion of the Revolving Facility.

As of September 30, 2023, we were not in default under the Credit Agreement. As of September 30, 2023, the total principal outstanding of the Term Loan was $223.8 million and the available and uncommitted capacity under the Revolving Facility was $100 million.

Contractual Cash and Other Obligations

The following table summarizes our contractual cash and other obligations as of September 30, 2023 (in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt principal and interest payments [1]	$ 262,769	$ 28,234	$ 234,535	$ —	$ —
Inventory-related purchase obligations [2]	74,290	74,290	—	—	—
Operating lease obligations [3]	59,369	11,104	16,137	12,623	19,505
Other purchase obligations [4]	12,534	11,639	895	—	—
Total	$ 408,962	$ 125,267	$ 251,567	$ 12,623	$ 19,505

(1) Amounts represent the principal cash payments as of September 30, 2023 of our Term Loan based on the repayment schedule according to the Credit Agreement and the expected interest payments associated with the Term Loan. See Note 8, “Debt” to our condensed consolidated financial statements for more information.

(2) Amounts represent an estimate of purchase obligations related to inventory.

(3) Amounts represent contractual obligations from our operating leases for offices and warehouse spaces.

(4) Amounts represent non-cancelable obligations related to capital expenditures, software licenses, marketing and other activities.

As of September 30, 2023, we had $2.4 million in non-current income tax payable, including interest and penalties, related to our income tax liability for uncertain tax positions. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities; therefore, such amounts are not included in the contractual cash obligation table above.

Critical Accounting Polices and Estimates

A critical accounting policy is defined as one that has both a material impact on our financial condition and results of operations and requires us to make difficult, complex and/or subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain. Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe to be applicable and evaluate them on an ongoing basis to ensure they remain reasonable under current conditions. Actual results may differ significantly from those estimates, which could have a material impact on our business, results of operations, and financial condition.

There have been no material changes to our critical accounting policies and estimates during the nine months ended September 30, 2023 as compared to the critical accounting policies and estimates described in our Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 27, 2023.

Recent Accounting Pronouncements

Refer to Note 2 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for recent accounting pronouncements adopted and to be adopted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

As of September 30, 2023, we had cash and restricted cash of $147.8 million, which consisted primarily of bank deposits. Our cash is held for working capital purposes.

As of September 30, 2023, under the Credit Agreement, we had $223.8 million Term Loan outstanding (face value), and the Term Loan bears variable market rates, primarily BSBY. See Note 8, “Debt - Credit Agreement” to our condensed consolidated financial statements for additional information on the Credit Agreement. A significant change in these market rates may adversely affect our operating results. As of September 30, 2023, a hypothetical 100 basis point change in interest rates would result in a change to annual interest expense by approximately $2.4 million.

Foreign Currency Risk

Approximately 16.4% of our net revenue for the nine months ended September 30, 2023 was denominated in foreign currencies, primarily Euro. Any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct sales in foreign countries could have an adverse impact on our net revenue and gross margins as we may have to adjust local currency product pricing due to competitive pressures if there is significant volatility in foreign currency exchange rates. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, Europe, China and Taiwan. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates.

We enter into forward currency contracts to reduce the short-term effects of currency fluctuations on Euro, British Pound, and Chinese Yuan denominated cash, accounts receivable, and intercompany receivable and payable balances. These forward contracts generally mature within two to four months, and we do not enter into foreign currency forward contracts for trading purposes. The outstanding notional principal amount was $32.1 million and $23.4 million as of September 30, 2023 and December 31, 2022, respectively. The gains or losses on these contracts are recognized in earnings based on the changes in fair value of the foreign currency forward contracts.

The impact of changes in foreign currency rates, including the gains or (losses) on the forward currency contracts, recognized in other (expense) income, net was $(1.5) million and $1.5 million for the nine months ended September 30, 2023 and 2022, respectively. A hypothetical ten percent change in exchange rates between foreign currencies and the U.S. dollar would increase or decrease our gains or losses on foreign currency exchange of approximately $2.0 million in our condensed consolidated financial statements for the nine months ended September 30, 2023.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but there can be no assurance that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2023, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We may from time to time be involved in various legal proceedings of a character normally incident to the ordinary course of our business. Although the outcome of any pending matters, and the amount, if any, of our ultimate liability and any other forms of remedies with respect to these matters, cannot be determined or predicted with certainty, we do not believe that the ultimate outcome of these matters will have a material adverse effect on our business, results of operations or financial condition.

Item 1A. Risk Factors.

We have disclosed under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 the risk factors that materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. The risks that we describe in our public filings are not the only risks we may face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely effect on our business, financial condition and/or future operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(a) None.

(b) None.

(c) During the three months ended September 30, 2023, no director or officer of Corsair adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each such term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference Form	Exhibit	Date Filed	Filed Herewith
3.1	Second Amended and Restated Certificate of Incorporation.	8-K	3.1	09/25/2020	
3.2	Amended and Restated Bylaws.	8-K	3.2	09/25/2020	
4.1	Form of common stock certificate of Registrant.	S-1/A	4.2	09/18/2020	
4.2	Investor Rights Agreement, by and between Corsair Gaming, Inc. and Corsair Group (Cayman), LP.	10-Q	4.2	11/10/2020	
4.3	Description of Corsair's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.	10-K	4.3	03/11/2021	
4.4	Registration Rights Agreement, by and between Corsair Gaming, Inc. and Corsair Group (Cayman), LP.	S-1/A	4.4	09/14/2020	
31.1	Certification of Principal Executive Officer under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).				X
31.2	Certification of Principal Financial Officer under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).				X
32.1*	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350 and Securities Exchange Act Rule 13a-14(b).				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				X

* The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Corsair Gaming, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

\# Indicates management contract or compensatory plan.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Corsair Gaming, Inc.

Date: November 7, 2023	By: /s/ Michael G. Potter
	Michael G. Potter
	Chief Financial Officer
	(Authorized Officer, Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew J. Paul, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Corsair Gaming, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2023

By: /s/ Andrew J. Paul
Andrew J. Paul
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael G. Potter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Corsair Gaming, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2023

By: /s/ Michael G. Potter
Michael G. Potter
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Corsair Gaming, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2023 (the “Report”), Andrew J. Paul, Chief Executive Officer of the Company, and Michael G. Potter, Chief Financial Officer of the Company, each certify, to the best of his knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 7, 2023	By:	/s/ Andrew J. Paul
		Andrew J. Paul
		Chief Executive Officer
		(Principal Executive Officer)
Date: November 7, 2023	By:	/s/ Michael G. Potter
		Michael G. Potter
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)