

ASUSTeK

4Q 2018 Investor Conference

Disclaimer

ASUSTeK's presentation contains forward-looking statements subject to significant risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements.

The forward-looking statements in this release reflect the current belief of ASUS as of the date of this release, we undertake no obligation to update these forward-looking statements for new information, future events, or otherwise.

Agenda

- **4Q 2018 Financial Result**
- **Business Highlights**
- **Strategy & Outlook**
- **Q & A**

4Q 2018 Financial Result

4Q 2018 Brand P&L (including discontinued smartphone models)

(unaudited brand consolidated financials)

in NT\$ Mn	2018 4Q	2018 3Q	QoQ	2017 4Q	YoY
Net Revenue	88,099	93,771	-6%	103,944	-15%
COGS	(84,446)	(82,814)	2%	(89,719)	-6%
Gross Profit	3,653	10,958	-67%	14,225	-74%
Operating Expenses	(9,998)	(8,716)	15%	(10,257)	-3%
Operating Profit	(6,345)	2,242	-383%	3,969	-260%
Non-OP Items	2,510	2,174	15%	1,114	125%
Pre-Tax Profit	(3,835)	4,416	-187%	5,083	-175%
Tax	1,016	(1,073)	-195%	(1,037)	-198%
Net Profit	(2,819)	3,343	-184%	4,046	-170%
EPS	(3.8)	4.5		5.4	
Gross Margin %	4.1%	11.7%		13.7%	
Operating Margin %	-7.2%	2.4%		3.8%	

4Q 2018 Brand P&L (pro forma – excluding old phones)

(unaudited brand consolidated financials)

in NT\$ Mn	2018 4Q	Phone	W/O Phone
Net Revenue	88,099	8,646	79,453
COGS	(84,446)	(14,844)	(69,603)
Gross Profit	3,653	(6,197)	9,850
Operating Expenses	(9,998)	(2,486)	(7,511)
Operating Profit*	(6,345)	(8,684)	2,339
Non-OP Items	2,510	420	2,090
Pre-Tax Profit	(3,835)	(8,264)	4,429
Tax	1,016	1,490	(475)
Net Profit	(2,819)	(6,773)	3,954
EPS	(3.8)	(9.1)	5.3
Gross Margin %	4.1%	-71.7%	12.4%
Operating Margin %	-7.2%	-100.4%	2.9%
*One time write-off	(6,049)	(6,049)	-

4Q 2018 Brand Non-OP Items

(unaudited brand consolidated financials)

Non-OP Items	2018 4Q	2018 3Q	QoQ	2017 4Q	YoY
Interest Income (net)	269	298	-10%	219	23%
Investment Income	517	(496)	204%	(206)	352%
<i>Askey</i>	(319)	(777)	59%	(455)	30%
<i>Others</i>	837	282	197%	250	235%
Exchange Gain/(Loss)	514	(279)	284%	963	-47%
Dividend Income		2,479	-100%		-
Disposal Gain	1,212		-		-
Other Income (net)	(3)	171	-102%	137	-102%
Total Non-OP items	2,510	2,174	15%	1,114	125%

4Q 2018 Brand Balance Sheet

in NT\$ Mn	Dec 31, 2018	Sep 30, 2018	QoQ	Dec 31, 2017	YoY
Cash & equivalents	55,773	62,449	-11%	67,377	-17%
Accounts receivable	75,273	82,717	-9%	75,223	0%
Inventories	86,694	85,618	1%	76,110	14%
Current Assets	226,428	238,396	-5%	227,154	-0.3%
Long-term investments	64,515	69,237		72,547	
Fixed assets	11,855	11,036		9,695	
Total Assets	318,283	333,526	-5%	323,911	-2%
Accounts payable	58,850	66,418	-11%	49,138	20%
Current Liabilities	145,620	152,781	-5%	137,923	6%
Total Liabilities	156,917	164,066	-4%	148,766	5%
Paid-in capital	7,428	7,428		7,428	
Stockholders' equity	161,365	169,460	-5%	175,144	-8%
Avg. Days of Inventory	93	91		82	
Avg. Days of AR	82	74		68	
Avg. Days of AP	73	69		56	
Avg. CCC Days	102	96		94	

2018 Brand P&L (including discontinued smartphone models)

in NT\$ Mn	2018 1~12	%	2017 1~12	%	YoY
Net Revenue	352,452	100.0%	392,899	100.0%	-10%
COGS	(315,030)	(89.4%)	(340,562)	(86.7%)	-7%
Gross Profit	37,422	10.6%	52,337	13.3%	-28%
Operating Expenses	(34,641)	(9.8%)	(39,819)	(10.1%)	-13%
Operating Profit	2,780	0.8%	12,518	3.2%	-78%
Non-OP Items	2,928	0.8%	6,821	1.7%	-57%
Pre-Tax Profit	5,709	1.6%	19,339	4.9%	-70%
Tax	(1,474)	(0.4%)	(3,794)	(1.0%)	-61%
Net Profit	4,235	1.2%	15,545	4.0%	-73%
EPS	5.7		20.9		-73%

Non-OP Items	2018 1~12	%	2017 1~12	%	YoY
Interest Income (net)	1,259	0.4%	915	0.2%	38%
Investment Income	(284)	-0.1%	(56)	0.0%	-405%
Exchange Gain / (Loss)	1	0.0%	2,740	0.7%	-100%
Dividend Income	2,483	0.7%	2,799	0.7%	-11%
Disposal Gain	1,212	0.3%			-
Other Income (net)	(1,743)	-0.5%	422	0.1%	-513%
Total Non-OP items	2,928	0.8%	6,821	1.7%	-57%

2018 Brand P&L (pro forma – excluding old phones)

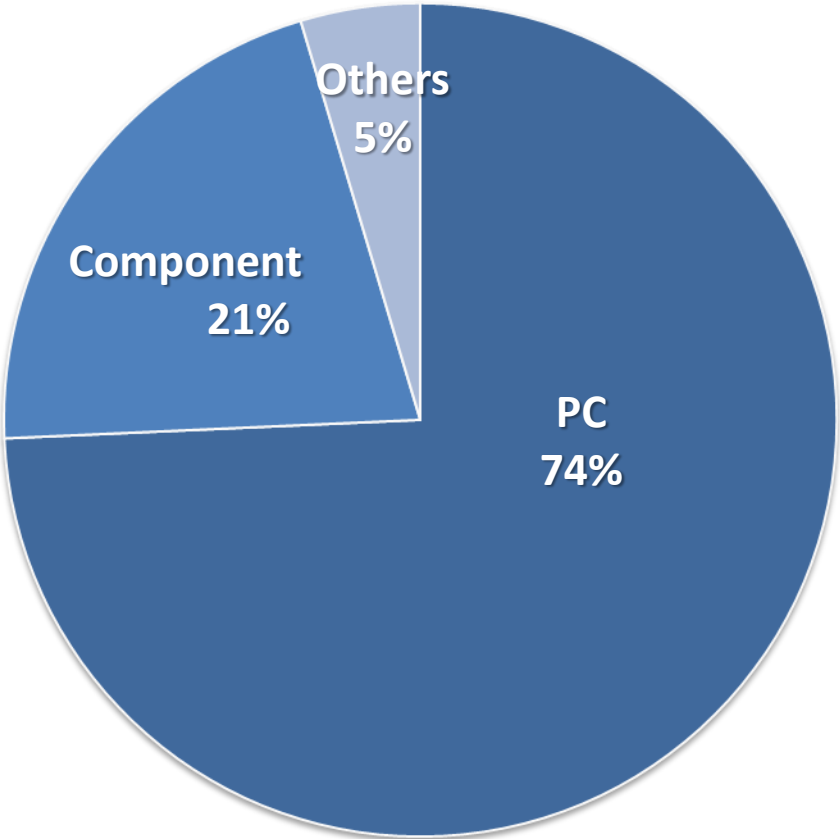
(unaudited brand consolidated financials)

in NT\$ Mn	2018 1~12	Phone 2018	W/O Phone
Net Revenue	352,452	37,363	315,088
COGS	(315,030)	(43,661)	(271,369)
Gross Profit	37,422	(6,298)	43,720
Operating Expenses	(34,641)	(7,864)	(26,777)
Operating Profit*	2,780	(14,162)	16,942
Non-OP Items	2,928	157	2,771
Pre-Tax Profit	5,709	(14,005)	19,713
Tax	(1,474)	1,935	(3,408)
Net Profit	4,235	(12,070)	16,305
EPS	5.7	(16.2)	22.0
Gross Margin %	10.6%	-16.9%	13.9%
Operating Margin %	0.8%	-37.9%	5.4%
*One time write-off	(6,049)	(6,049)	-

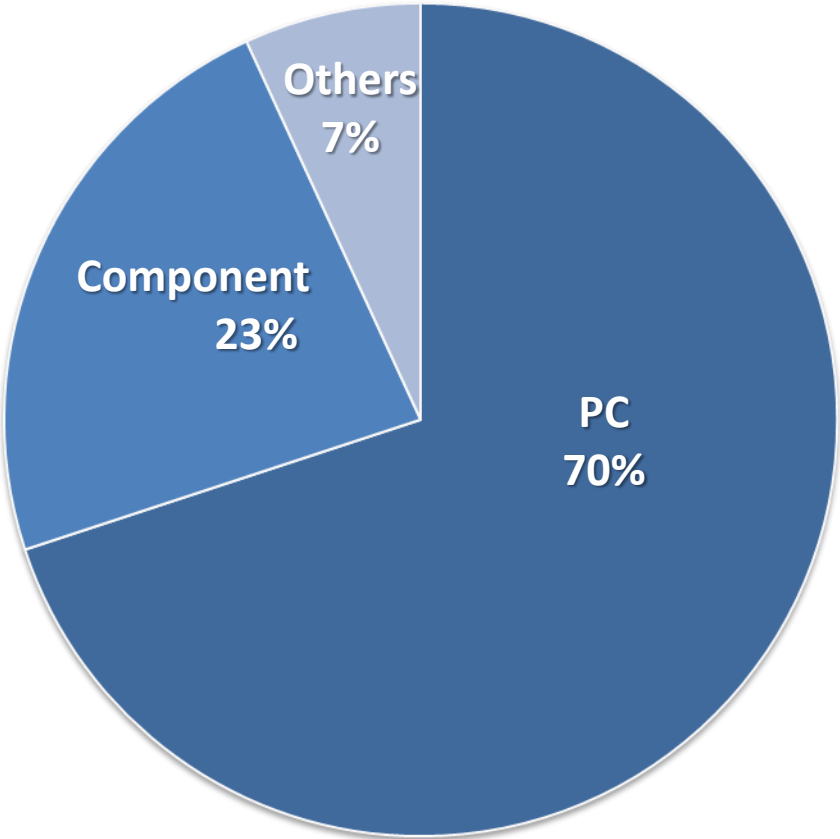
Business Highlights

Product Mix

4Q 2018



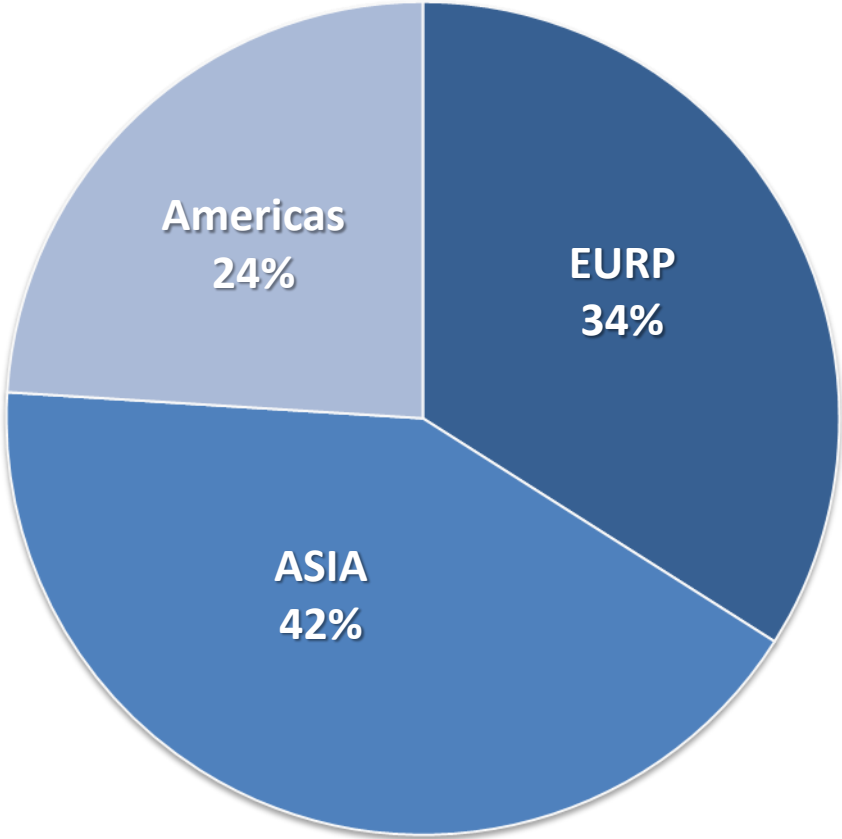
2018



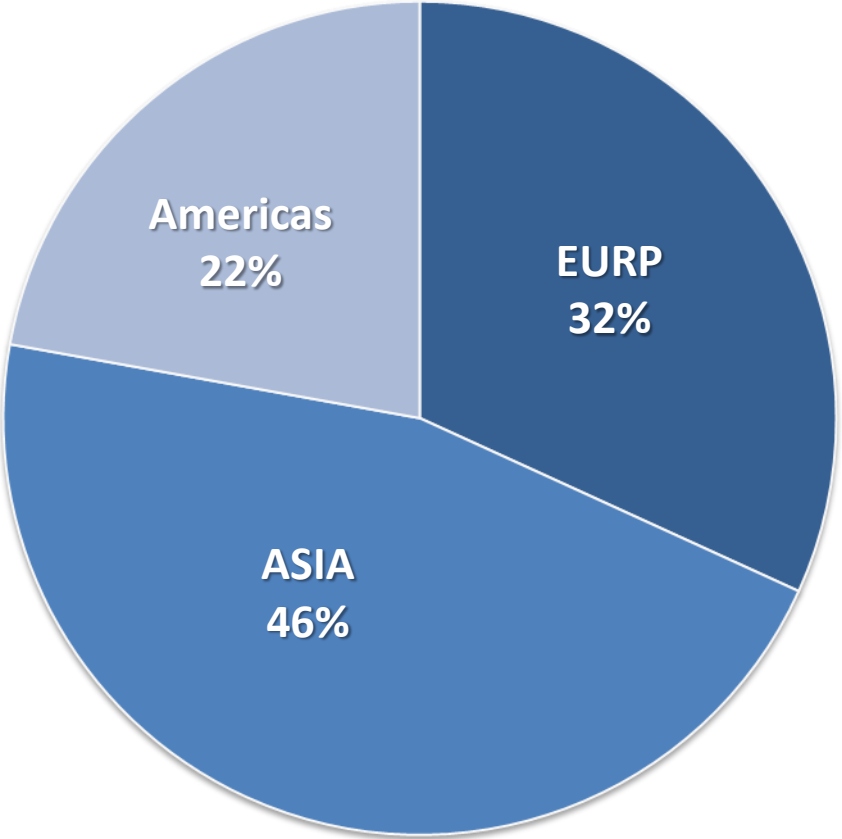
* Excluding revenue from old smartphone models

Region Mix

4Q 2018



2018



* Excluding revenue from old smartphone models

1Q 2019 Business Outlook

- **PC QoQ -5%~-10%**
- **Component QoQ -5%**

Strategy & Outlook

Key Business Objectives

Transformation

- PC business under pressure in 1H 2019 due to key component shortage, inventory adjustment on cryptocurrency demand, and an unstable economy with trade conflicts.
- Smartphone business transformation to be completed in 1H 2019. ROG phone created a new product category with #1 mind share, selecting by >70% of gamers as a best choice.
- Target to lead the new product cycles in 2H 2019, and deliver stronger execution via culture and organization evolution.

Leadership & growth initiatives

- #1 in MB & cards. Continued to gain market shares and sustain the best profitability in the industry.
- Led the NB transformation in thin & light segment. Accounted for more than 1/3 of shipment and achieved >30% shipment growth rate in 2018.
- #1 in Gaming NB (outside of China). 26% market share in premium gaming (ASP>\$ 1000).
- To sustain MB & PC business and deliver growth on gaming and AIOT.

Q & A