

# ASUSTeK

## 2Q 2019 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

- **2Q 2019 Financial Result**
- **Business Highlights**
- **Strategy & Outlook**
- **Q & A**

# 2Q 2019 Financial Result

# 2Q 2019 Brand P&L

(unaudited brand consolidated financials)

in NT\$ Mn	2019 2Q	2019 1Q	QoQ	2018 2Q	YoY
<b>Net Revenue</b>	<b>71,272</b>	<b>83,503</b>	<b>-15%</b>	<b>80,525</b>	<b>-11%</b>
COGS	(61,410)	(73,911)	-17%	(70,291)	-13%
<b>Gross Profit</b>	<b>9,862</b>	<b>9,592</b>	<b>3%</b>	<b>10,234</b>	<b>-4%</b>
Operating Expenses	(8,852)	(8,706)	2%	(7,411)	19%
<b>Operating Profit</b>	<b>1,010</b>	<b>886</b>	<b>14%</b>	<b>2,823</b>	<b>-64%</b>
Non-OP Items	1,183	2,140	-45%	(996)	-219%
<b>Pre-Tax Profit</b>	<b>2,193</b>	<b>3,026</b>	<b>-28%</b>	<b>1,827</b>	<b>20%</b>
Tax	(513)	(839)	-39%	(496)	4%
<b>Net Profit</b>	<b>1,680</b>	<b>2,187</b>	<b>-23%</b>	<b>1,332</b>	<b>26%</b>
<b>EPS</b>	<b>2.3</b>	<b>2.9</b>		<b>1.8</b>	
<b>Gross Margin %</b>	<b>13.8%</b>	<b>11.5%</b>		<b>12.7%</b>	
<b>Operating Margin %</b>	<b>1.4%</b>	<b>1.1%</b>		<b>3.5%</b>	

# 2Q 2019 Brand P&L (pro forma – excluding phone's P&L)

(unaudited brand consolidated financials)

in NT\$ Mn	2019 2Q	Phone old models	Phone new models	W/O Phone
<b>Net Revenue</b>	<b>71,272</b>	<b>5,403</b>	<b>433</b>	<b>65,435</b>
COGS	(61,410)	(5,122)	(391)	(55,897)
<b>Gross Profit</b>	<b>9,862</b>	<b>281</b>	<b>42</b>	<b>9,538</b>
Operating Expenses	(8,852)	(747)	(603)	(7,502)
<b>Operating Profit</b>	<b>1,010</b>	<b>(466)</b>	<b>(560)</b>	<b>2,036</b>
Non-OP Items	1,183	(36)	(8)	1,227
<b>Pre-Tax Profit</b>	<b>2,193</b>	<b>(501)</b>	<b>(569)</b>	<b>3,263</b>
Tax	(513)	(100)	76	(489)
<b>Net Profit</b>	<b>1,680</b>	<b>(601)</b>	<b>(493)</b>	<b>2,774</b>
<b>EPS</b>	<b>2.3</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>3.7</b>
<b>Gross Margin %</b>	<b>13.8%</b>	<b>5.2%</b>	<b>9.8%</b>	<b>14.6%</b>
<b>Operating Margin %</b>	<b>1.4%</b>	<b>-8.6%</b>	<b>-129.4%</b>	<b>3.1%</b>

# 2Q 2019 Brand Non-OP Items

(unaudited brand consolidated financials)

Non-OP Items	2019 2Q	2019 1Q	QoQ	2018 2Q	YoY
Interest Income (net)	335	271	24%	391	-14%
Investment Income	137	142	-3%	(161)	185%
<i>Askey</i>	(57)	(61)	7%	(612)	91%
<i>Others</i>	194	203	-4%	451	-57%
Exchange Gain/(Loss)	311	1,387	-78%	(1,407)	122%
Dividend Income	2		-	4	-43%
Other Income (net)	398	340	17%	178	124%
<b>Total Non-OP items</b>	<b>1,183</b>	<b>2,140</b>	<b>-45%</b>	<b>(996)</b>	<b>219%</b>

# 2Q 2019 Brand Balance Sheet

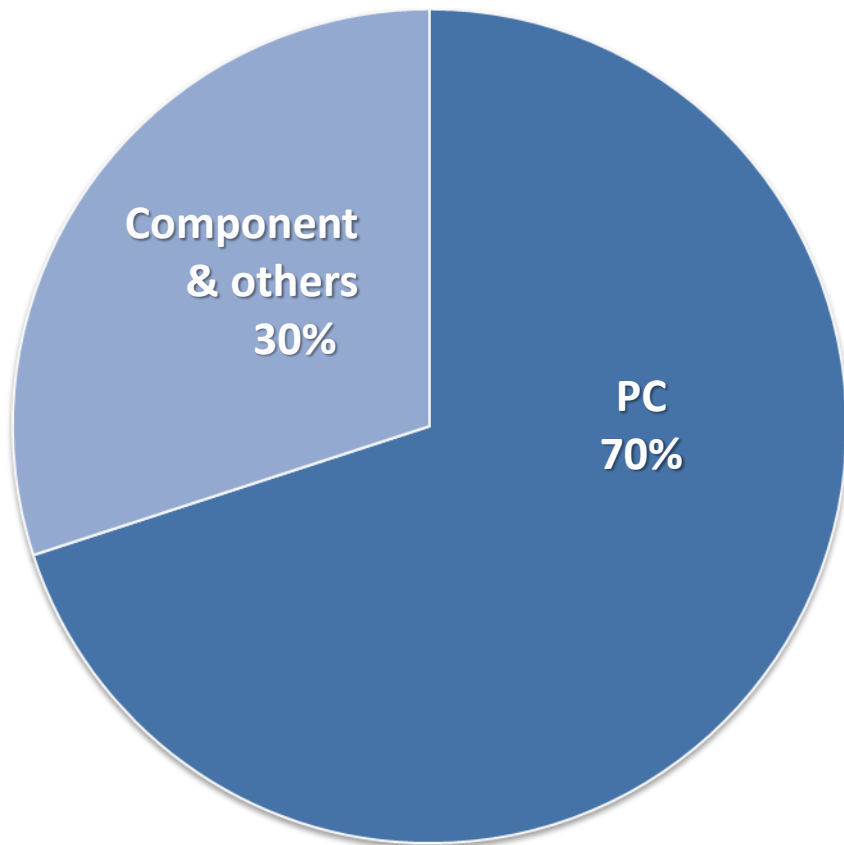
in NT\$ Mn	Jun 30, 2019	Mar 31, 2019	QoQ	Jun 30, 2018	YoY
Cash & equivalents	61,703	52,838	17%	71,864	-14%
Accounts receivable	62,949	71,681	-12%	69,830	-10%
Inventories	75,039	80,775	-7%	79,400	-5%
<b>Current Assets</b>	<b>208,186</b>	<b>212,149</b>	<b>-2%</b>	<b>230,875</b>	<b>-10%</b>
Long-term investments	68,072	67,380		66,973	
Fixed assets	15,580	13,050		10,715	
<b>Total Assets</b>	<b>308,902</b>	<b>309,284</b>	<b>-0%</b>	<b>323,097</b>	<b>-4%</b>
Accounts payable	42,126	45,348	-7%	51,020	-17%
<b>Current Liabilities</b>	<b>136,508</b>	<b>128,466</b>	<b>6%</b>	<b>147,005</b>	<b>-7%</b>
<b>Total Liabilities</b>	<b>148,131</b>	<b>140,074</b>	<b>6%</b>	<b>158,212</b>	<b>-6%</b>
Paid-in capital	7,428	7,428		7,428	
<b>Stockholders' equity</b>	<b>160,770</b>	<b>169,210</b>	<b>-5%</b>	<b>164,885</b>	<b>-2%</b>
Avg. Days of Inventory	116	103		102	
Avg. Days of AR	86	80		77	
Avg. Days of AP	70	68		68	
<b>Avg. CCC Days</b>	<b>132</b>	<b>115</b>		<b>111</b>	



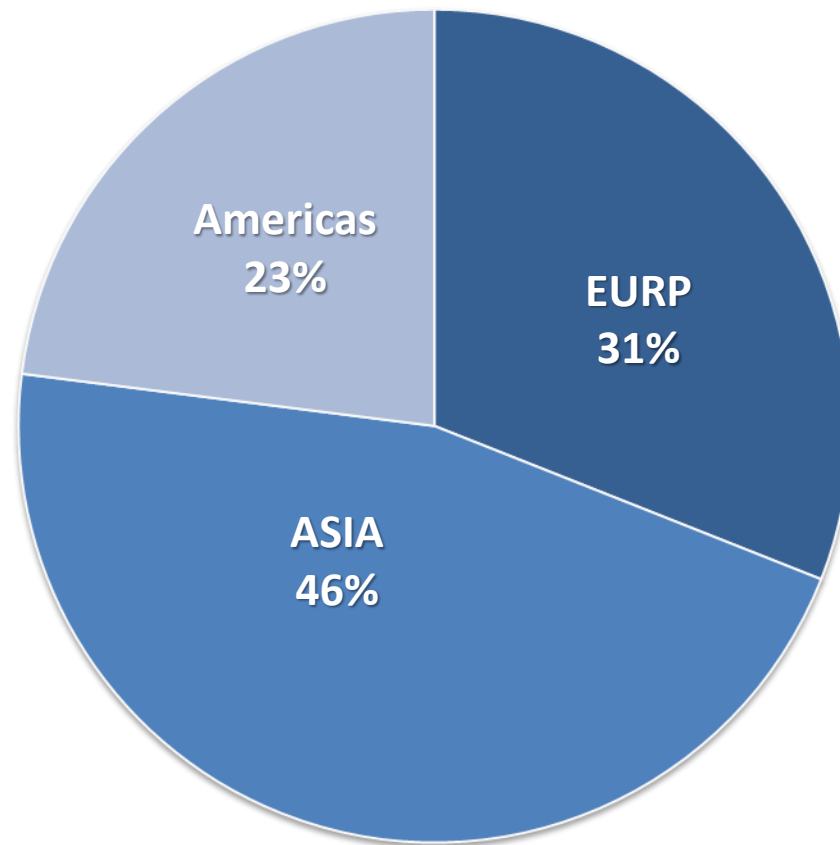
# Business Highlights

# 2Q 2019 Revenue Mix

## By Product Group



## By Region



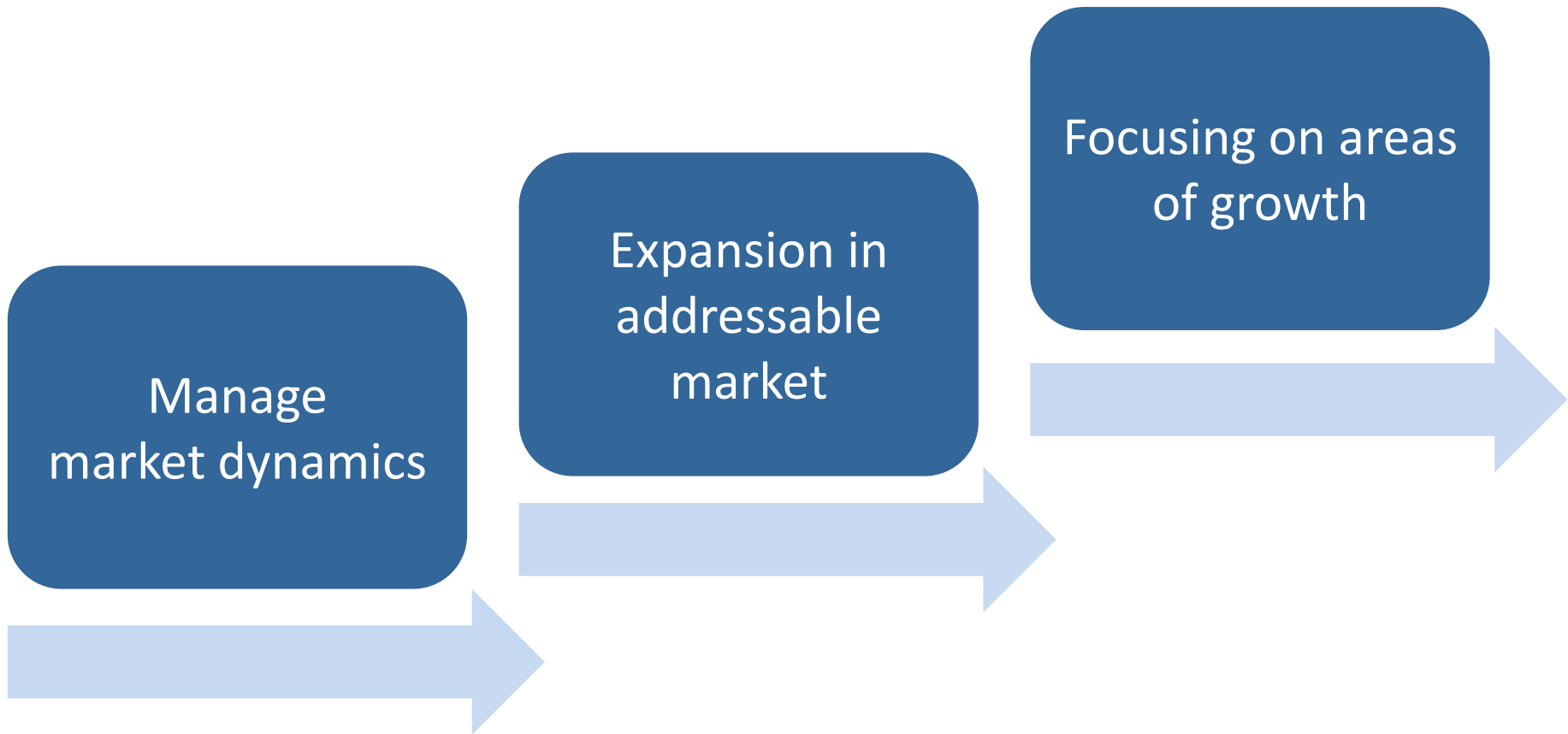
\* Excluding revenue of smartphones

# 3Q 2019 Business Outlook

- **PC QoQ +20%**
- **Component QoQ +15%**

# Strategy & Outlook

# Key Business Objectives



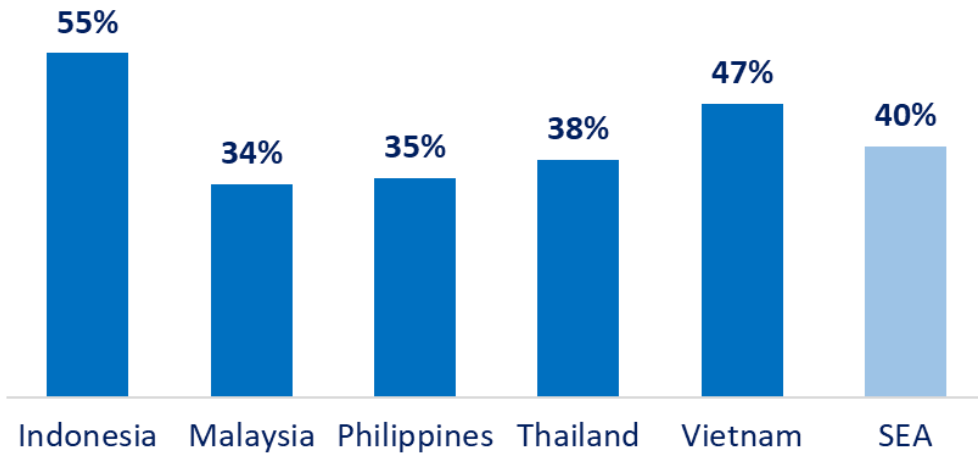
# Gaming Phone Ecosystem

ROG Phone 2 has received outstanding recognition and delivered stronger-than-expected demand. This has resulted in strong gains in the gaming phone market, and is expected to lead to an unmatched market leading position within three years.

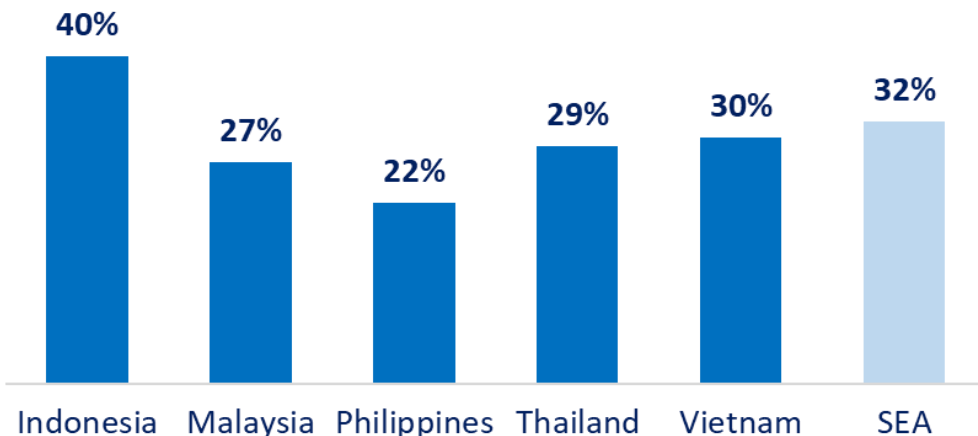


# No. 1 in Southeast Asia

Gaming NB market share

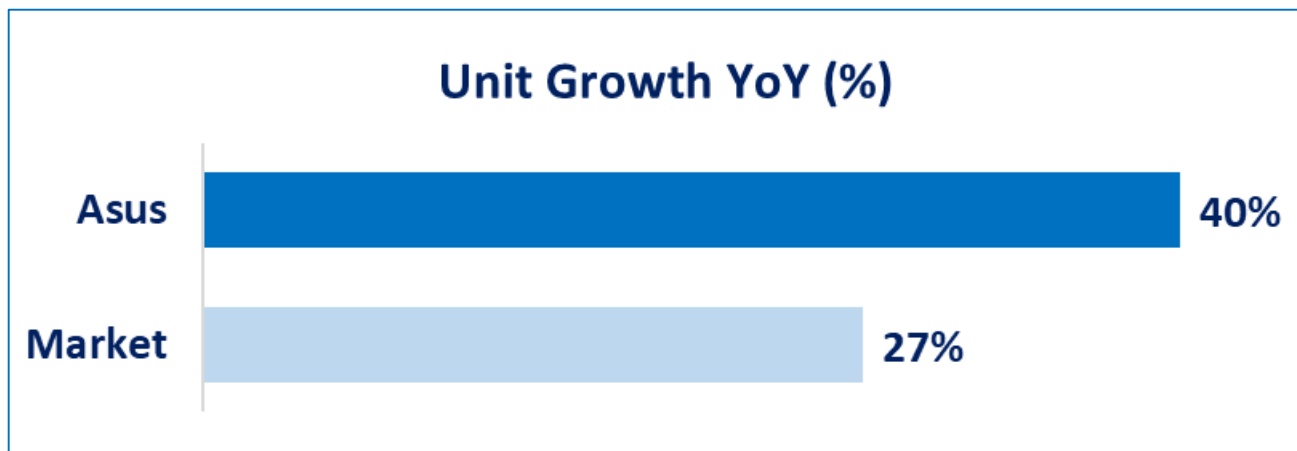
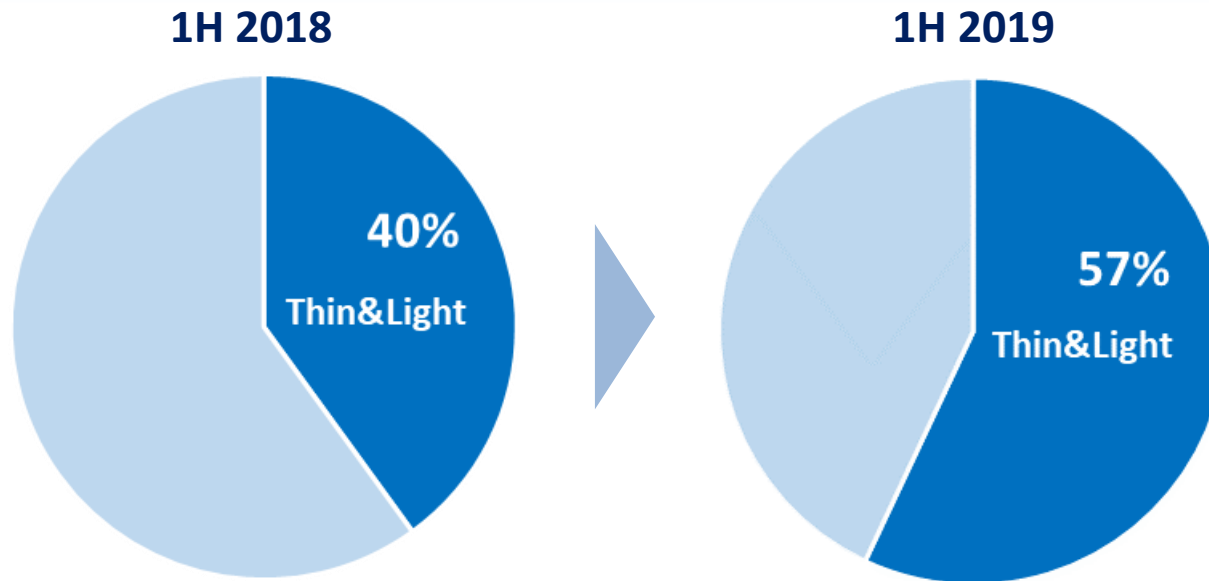


NB market share



- ASUS is No.1 in motherboards, notebooks and gaming notebooks across all major countries in Southeast Asia
- Additional resources are being invested to build an absolutely dominating market presence in the region.

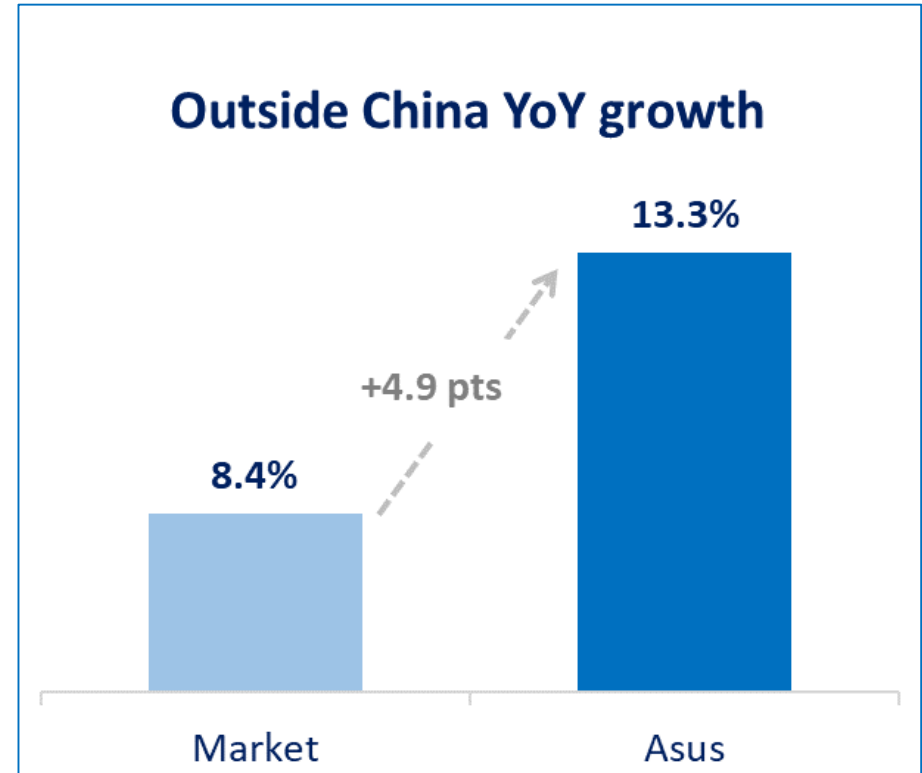
# Thin & Light NB Growth in 1H 2019





# Gaming NB Growth in 1H 2019

- Consistently outgrew the Gaming NB market



# New Product Categories

**Consumer**

**Gamer**

**Creator**

**Professional**



# Q & A

1. Is the dividend policy of distributing NTD 10 per share cash dividends based on certain dividend payout ratio?
2. Could you share with us your view on tariffs and how many months worth of inventory you have built in the US in preparation of potential tariffs?

3. In addition to the details of collaboration with Tencent on gaming phone you just shared, does Tencent provide any financial subsidy or guarantee on the amount of shipments? As the pricing strategy is more aggressive on the ROG Phone 2, what are the estimated units of shipment to breakeven? When is it expected to be achieved?

4. We heard that ASUS ZenFone 6 has recently had some production issues, can you explain on the current supply status? How to avoid similar problems on the ROG Phone 2? Will the 2mn units pre-orders for ROG Phone 2 all be recognized as sales in 3Q19?
  
5. ASUS has strengthened the exposures on commercial notebooks and Chromebooks this year. When can we see more concrete revenue and profit contribution on it?

6. The operating margin excluding phones has rebounded to 3.1% in 2Q19. Can we expect the operating margin to increase to 4% in 2H19 with the help of economies of scale?
7. Can we have some product examples on Creator PC category?
8. While ASUS collaborated with Tencent on ROG Phone 2, Tencent also announced that they will directly collaborate with Qualcomm subsequently. Will this make impact on the mode of collaboration with Tencent and the development of gaming phone segment?

9. What is the impact of component price increases on ASUS in 2H19? Regarding the tariff dispute between the US and China, what's your view on the impact on PC components company, PC ODM, and PC brand company respectively?
  
10. As China is currently the main market for ROG Phone 2, when can we expect ROG Phone 2 to be launched in other markets such as Europe, Americas, Southeast Asia and India? For the sales from the US, what is the strategy to respond to the US tariff issue?



11. In terms of NB products, Thin & Light NB and gaming NB are the focus growing areas of the company. What is the contribution of revenue and profit in terms of Thin & Light NB and gaming NB? What are the trends of gross margin and operating margin on these products? And what are the key factors affecting gross margin and operating margin?
  
12. Can you clarify the inventories in US are company's inventories or already become sales in 2Q19?

13. The global DIY PC market continues to decline in this year. What are ASUS's shipments of motherboards and graphic cards in 2019 compared to 2018?

14. Why the operating expense increased significantly in 2Q19? Will it be improved going forward?