

ASUSTeK

3Q 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

- **3Q 2019 Financial Result**
- **Business Highlights**
- **Strategy & Outlook**
- **Q & A**

3Q 2019 Financial Result

3Q 2019 Brand P&L

(unaudited brand consolidated financials)

in NT\$ Mn	2019 3Q	2019 2Q	QoQ	2018 3Q	YoY
Net Revenue	88,467	71,272	24%	93,771	-6%
COGS	(74,955)	(61,410)	22%	(82,814)	-9%
Gross Profit	13,512	9,862	37%	10,958	23%
Operating Expenses	(9,150)	(8,852)	3%	(8,716)	5%
Operating Profit	4,362	1,010	332%	2,242	95%
Non-OP Items	2,643	1,183	123%	2,174	22%
Pre-Tax Profit	7,005	2,193	219%	4,416	59%
Tax	(1,372)	(513)	167%	(1,073)	28%
Net Profit	5,633	1,680	235%	3,343	69%
EPS	7.6	2.3		4.5	
Gross Margin %	15.3%	13.8%		11.7%	
Operating Margin %	4.9%	1.4%		2.4%	

3Q 2019 Brand P&L (pro forma – excluding phone's P&L)

(unaudited brand consolidated financials)

in NT\$ Mn	2019 3Q	Phone old models	Phone new models	W/O Phone
Net Revenue	88,467	2,395	2,099	83,973
COGS	(74,955)	(3,294)	(2,373)	(69,288)
Gross Profit	13,512	(899)	(273)	14,685
Operating Expenses	(9,150)	(195)	(900)	(8,055)
Operating Profit	4,362	(1,095)	(1,174)	6,630
Non-OP Items	2,643	(18)	40	2,621
Pre-Tax Profit	7,005	(1,112)	(1,134)	9,251
Tax	(1,372)	271	196	(1,838)
Net Profit	5,633	(841)	(938)	7,413
EPS	7.6	(1.1)	(1.3)	10.0
Gross Margin %	15.3%	-37.6%	-13.0%	17.5%
Operating Margin %	4.9%	-45.7%	-55.9%	7.9%

3Q 2019 Brand Non-OP Items

(unaudited brand consolidated financials)

Non-OP Items	2019 3Q	2019 2Q	QoQ	2018 3Q	YoY
Interest Income (net)	292	335	-13%	298	-2%
Investment Income	44	137	-68%	(496)	109%
<i>Askey</i>	(40)	(57)	29%	(777)	95%
<i>Others</i>	84	194	-57%	282	-70%
Exchange Gain/(Loss)	(141)	311	-145%	(279)	49%
Dividend Income	2,301	2	99924%	2,479	-7%
Other Income (net)	148	398	-63%	171	-14%
Total Non-OP items	2,643	1,183	123%	2,174	22%

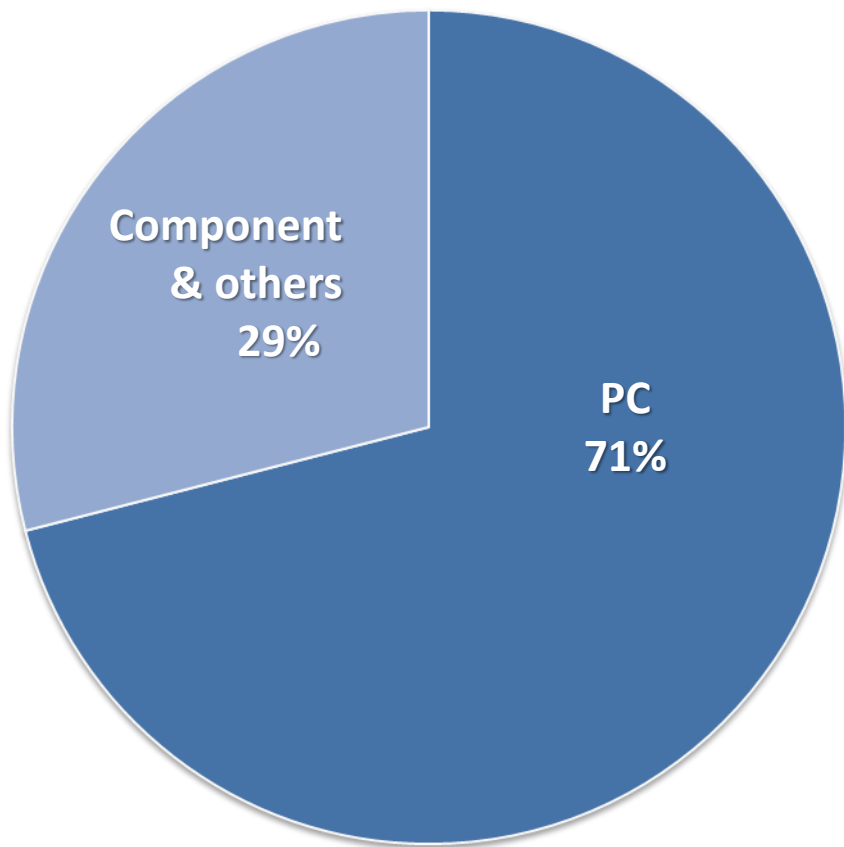
3Q 2019 Brand Balance Sheet

in NT\$ Mn	Sep 30, 2019	Jun 30, 2019	QoQ	Sep 30, 2018	YoY
Cash & equivalents	58,993	61,703	-4%	62,449	-6%
Accounts receivable	68,883	62,949	9%	82,717	-17%
Inventories	73,452	75,039	-2%	85,618	-14%
Current Assets	212,462	208,186	2%	238,396	-11%
Long-term investments	69,232	68,072		69,237	
Fixed assets	17,282	15,580		11,036	
Total Assets	315,340	308,902	2%	333,526	-5%
Accounts payable	50,658	42,126	20%	66,418	-24%
Current Liabilities	136,194	136,508	-0.2%	152,781	-11%
Total Liabilities	147,831	148,132	-0.2%	164,066	-10%
Paid-in capital	7,428	7,428		7,428	
Stockholders' equity	167,508	160,770	4%	169,460	-1%
Avg. Days of Inventory	90	116		91	
Avg. Days of AR	68	86		74	
Avg. Days of AP	61	70		69	
Avg. CCC Days	98	132		96	

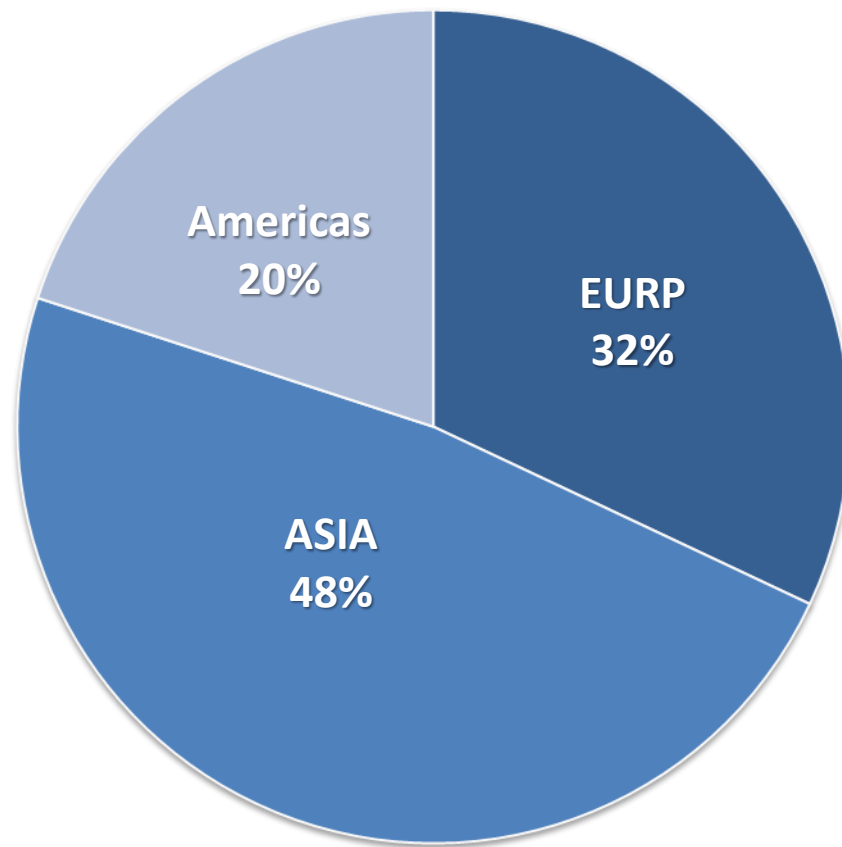
Business Highlights

3Q 2019 Revenue Mix

By Product Group



By Region



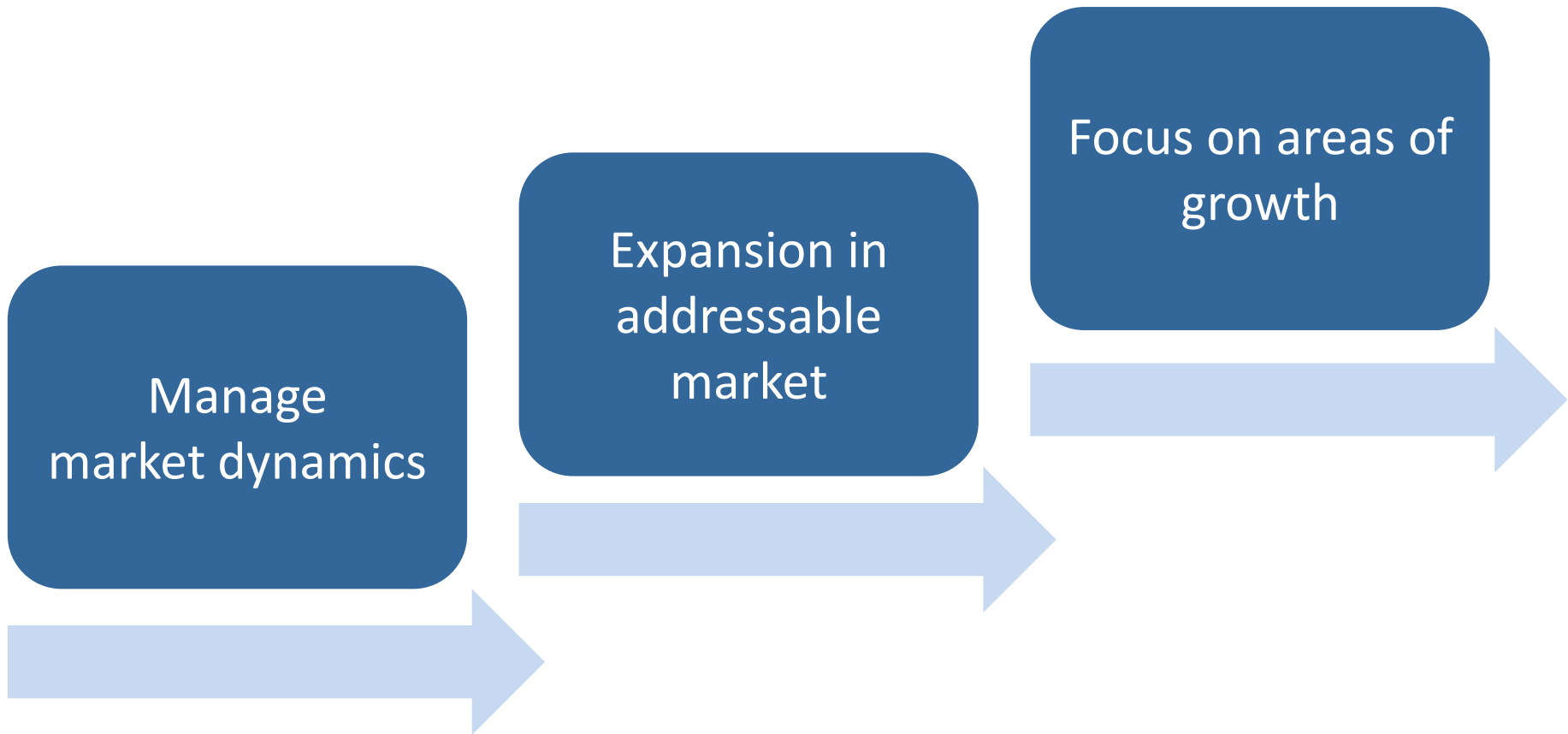
* Excluding revenue of smartphones

4Q 2019 Business Outlook

- **PC QoQ 0% ~ -5%**
- **Component QoQ -5%**

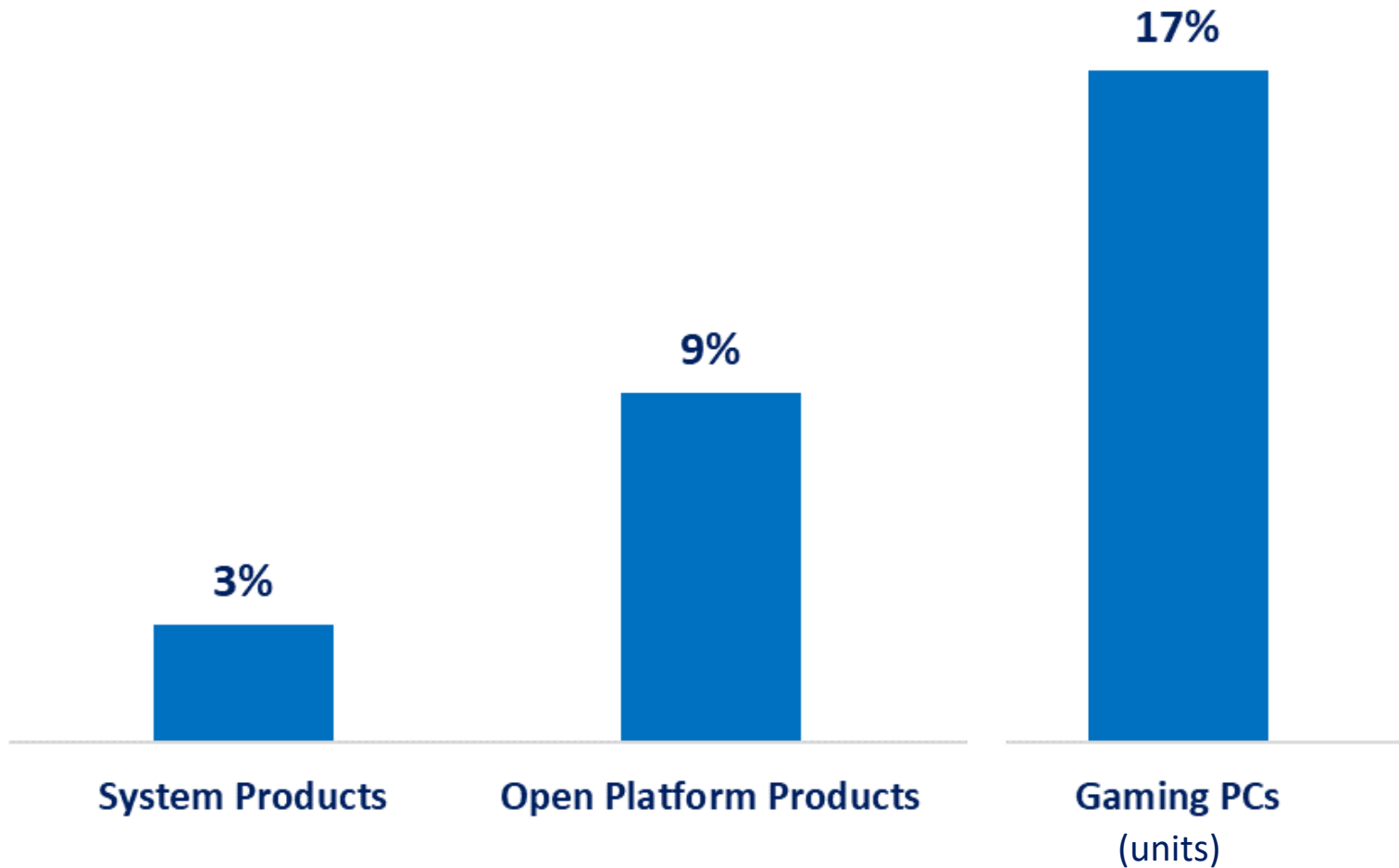
Strategy & Outlook

Key Business Objectives



Business Growth

YoY growth by product in Q3 2019



Key Objectives By Products

**Open
Platform**

No.1 brand and consistent market share growth

PC

Deliver profitable growth

Gaming

No. 1 brand for gamers

**Creator/
Commercial**

Expand PC horizons

Phone

Pioneer to create new smartphone categories

ASUS ProArt

To meet the evolving needs of professionals, ASUS has developed an all-new lineup of ProArt products that provide solutions for content creators, business professionals, health and fitness enthusiasts, and gamers.



Transform PC Industry

Define Laptop of tomorrow : Dual Screen



ScreenPad 2.0



ScreenPad Plus
ZenBook Pro Duo

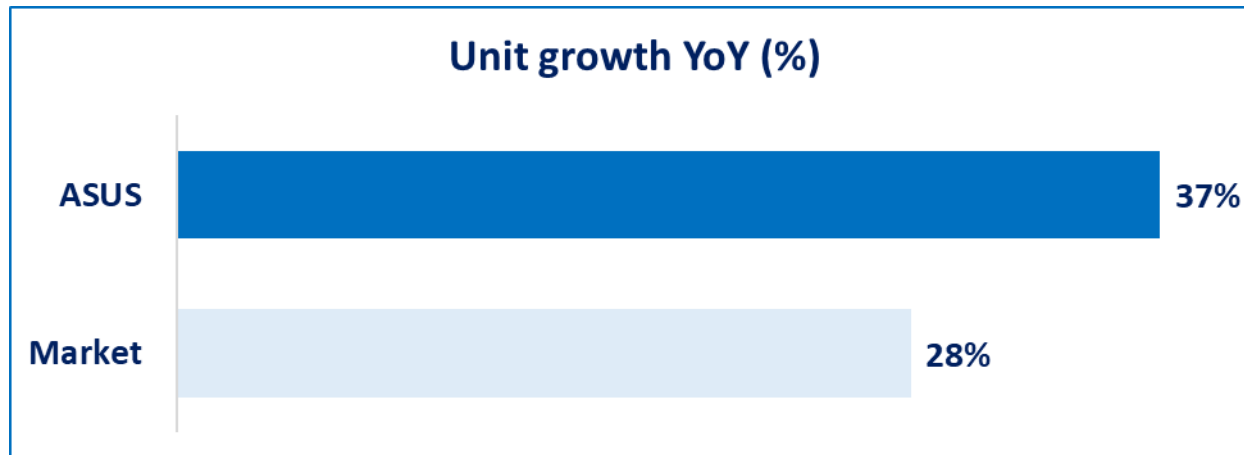
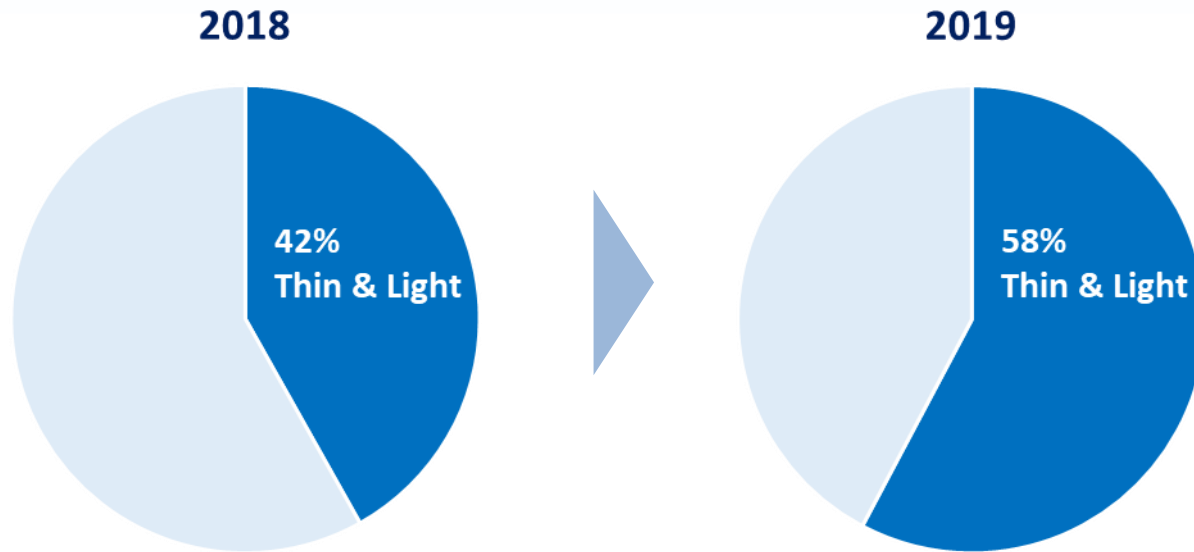


ScreenPad Plus
ZenBook Duo



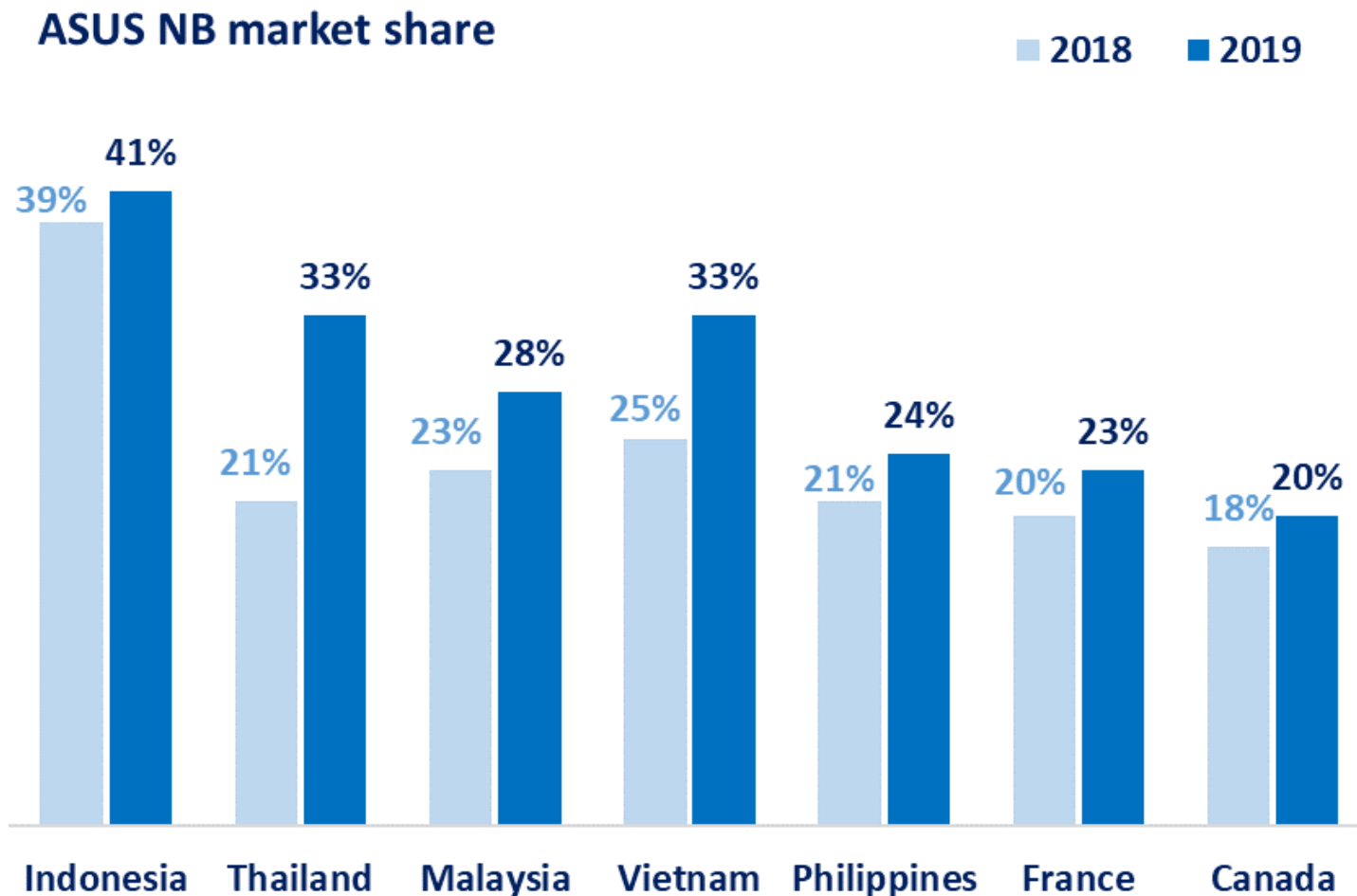
Precog Duo Screen

Thin & Light NB Growth Q1-Q3

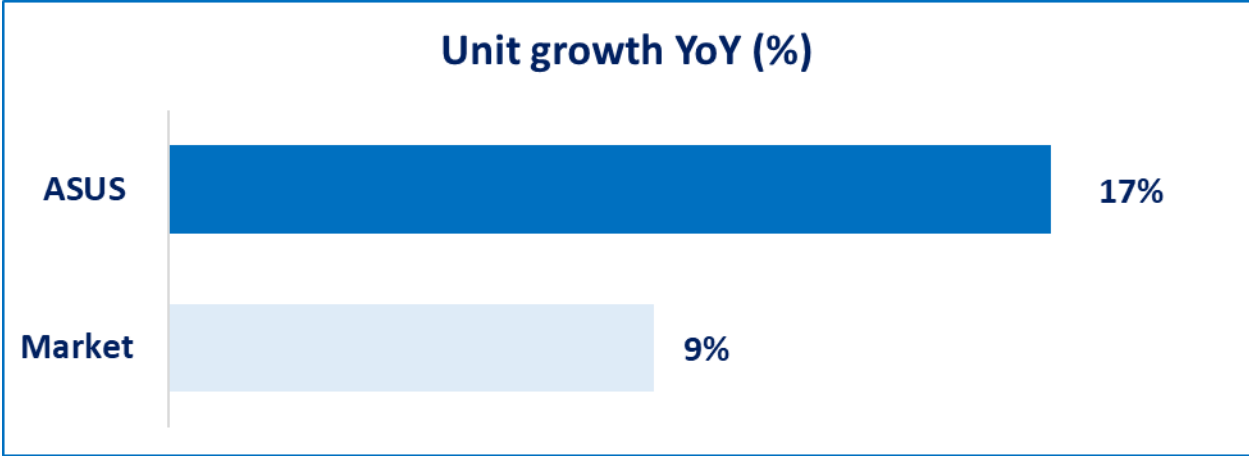
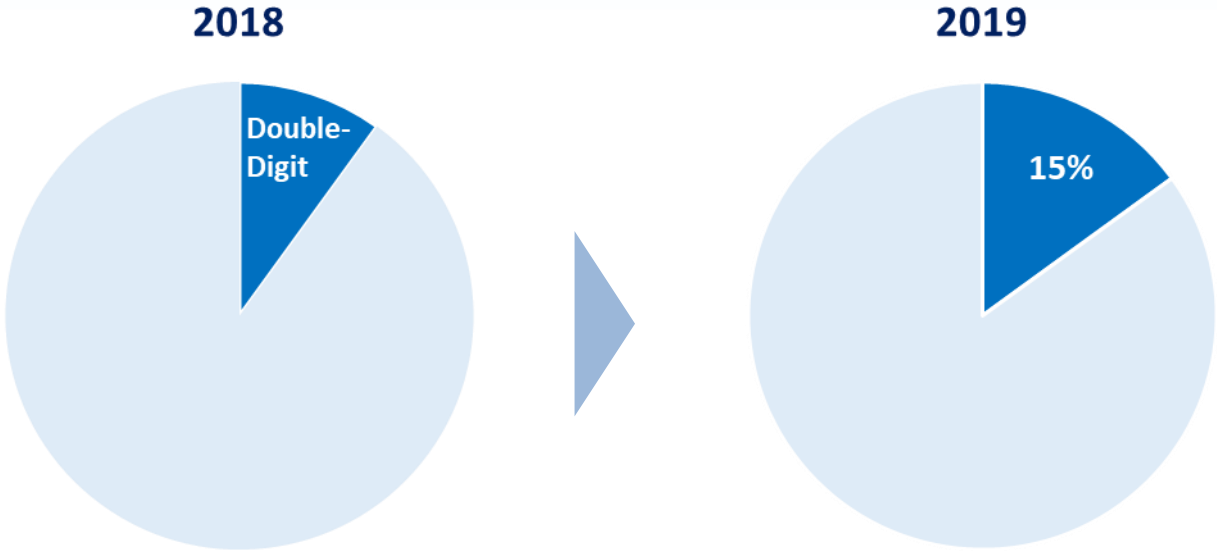


ASUS NB Growth

- ASUS NB delivered strong market share growths in selected countries.

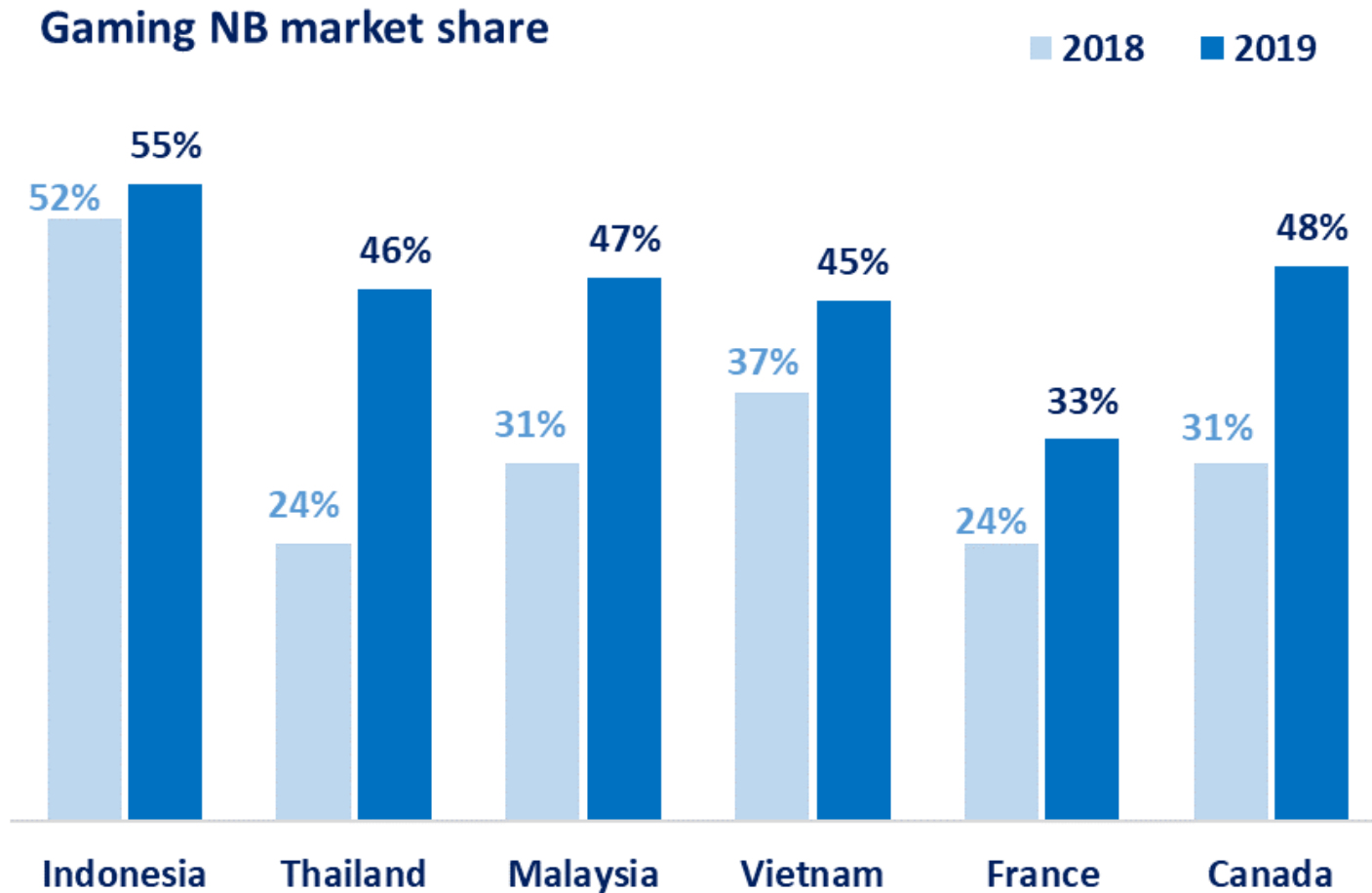


Gaming NB Growth Q1-Q3



Gaming NB Growth

- Gaming NB delivered double-digit year-over-year unit growth in all regions.



Q & A

1. How does the reversal of inventory write-down impact on the gross margin in 3Q 2019?
2. What is your view on the deterioration of the gross margin/operating margin of smartphone business in 3Q 2019? What's the target setting on the smartphone business?

3. What is the revenue contribution target of creator PCs in 2020?
4. What is the proportion of revenue and profit contribution from gaming PCs? What is the shipment target in 2020?
5. How is the shipment situation of smartphone? Is there any problem on the demand fulfillment? If so, how should it be improved in the future?

6. What is status of CPU shortage issue? Will the shortage persist throughout the first half of 2020? What is the gap of the shortage and the respond of the company?

7. Regarding the US China trade war, what is the percentage of ASUS shipments to the US? And what is the current plan on shifting the production bases?

8. The smartphone business is still making losses. When does the company expect to turn it profitable?

9. The losses on Askey is shrinking. When is it expected to return profitable?

10. The gross margin of the new smartphone business is negative in 3Q 2019. What is the company's pricing strategy in the future? How to make it profitable when the pricing strategy is so aggressive? Is there any further control for the cost of the new smartphone?

11. What is the progress on the development of commercial PCs and Chromebook business and the outlook in 2020/2021? Is the margin of commercial PCs and Chromebook higher than the regular PCs?

12. Despite the losses of smartphone business, ASUS operating margin has reached 4.9% in 3Q 2019, which is the highest since 2014. Is there any other important factor besides the improvement of the product mix? Does the company expect that the price competition pressure from the market has slowed down?

13. What is main reason for the slow progress of AMD's CPU in the notebook market? Is there any overheating problem on AMD's CPU?
14. When do you expect to complete the adjustment and the downsizing of old smartphone business?
15. What is the operating margin outlook in 4Q 2019 and 2020?