ASUSTeK

2Q 2020 Investor Conference

IN SEARCH OF INCREDIBLE

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 2020 Financial Result
- Business Highlights
- Strategy & Outlook
- Q & A

2Q 2020 Financial Result

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1H 2020 Brand P&L

in NT$ Mn	2020 1H	%	2019 1H	%	YoY
Net Revenue	**149,113**	**100.0%**	**154,775**	**100.0%**	**-4%**
COGS	(124,701)	(83.6%)	(135,321)	(87.4%)	-8%
Gross Profit	**24,412**	**16.4%**	**19,454**	**12.6%**	**25%**
Operating Expenses	(16,686)	(11.2%)	(17,558)	(11.3%)	-5%
Operating Profit	**7,726**	**5.2%**	**1,896**	**1.2%**	**308%**
Non-OP Items	519	0.3%	3,323	2.1%	-84%
Pre-Tax Profit	**8,245**	**5.5%**	**5,219**	**3.4%**	**58%**
Tax	(2,042)	(1.4%)	(1,352)	(0.9%)	51%
Net Profit	**6,203**	**4.2%**	**3,867**	**2.5%**	**60%**
EPS	**8.4**		**5.2**		
Gross Margin %	**16.4%**		**12.6%**		
Operating Margin %	**5.2%**		**1.2%**		

(unaudited brand consolidated financials)

2Q 2020 Brand P&L

in NT$ Mn	2020 2Q	2020 1Q	QoQ	2019 2Q	YoY
Net Revenue	**85,070**	**64,043**	**33%**	**71,272**	**19%**
COGS	(71,191)	(53,510)	33%	(61,410)	16%
Gross Profit	**13,879**	**10,532**	**32%**	**9,862**	**41%**
Operating Expenses	(9,033)	(7,653)	18%	(8,852)	2%
Operating Profit	**4,846**	**2,879**	**68%**	**1,010**	**380%**
Non-OP Items	2,151	(1,632)	232%	1,183	82%
Pre-Tax Profit	**6,998**	**1,247**	**461%**	**2,193**	**219%**
Tax	(1,683)	(360)	368%	(513)	228%
Net Profit	**5,315**	**888**	**499%**	**1,680**	**216%**
EPS	**7.2**	**1.2**		**2.3**	
Gross Margin %	**16.3%**	**16.4%**		**13.8%**	
Operating Margin %	**5.7%**	**4.5%**		**1.4%**	

(unaudited brand consolidated financials)

2Q 2020 Brand P&L (pro forma – excluding phone's P&L)

in NT$ Mn	2020 2Q	Phone old models	Phone new models	W/O Phone
Net Revenue	**85,070**	**985**	**378**	**83,707**
COGS	(71,191)	(680)	(297)	(70,214)
Gross Profit	**13,879**	**305**	**81**	**13,493**
Operating Expenses	(9,033)	(54)	(959)	(8,020)
Operating Profit	**4,846**	**251**	**(879)**	**5,474**
Non-OP Items	2,151	121	7	2,024
Pre-Tax Profit	**6,998**	**372**	**(872)**	**7,498**
Tax	(1,683)	(49)	87	(1,721)
Net Profit	**5,315**	**324**	**(785)**	**5,777**
EPS	**7.2**	**0.4**	**(1.1)**	**7.8**
Gross Margin %	**16.3%**	**31.0%**	**21.3%**	**16.1%**
Operating Margin %	**5.7%**	**25.5%**	**-232.5%**	**6.5%**

(unaudited brand consolidated financials)

2Q 2020 Brand Non-OP Items

Non-OP Items	2020 2Q	2020 1Q	QoQ	2019 2Q	YoY
Interest Income (net)	160	241	-34%	335	-52%
Investment Income	323	(73)	543%	137	135%
Askey	*(107)*	*(296)*	*64%*	*(57)*	*-89%*
Others	*430*	*224*	*92%*	*194*	*121%*
Exchange Gain/(Loss)	1,599	(1,906)	184%	311	415%
Dividend Income				2	
Other Income (net)	70	106	-34%	398	-82%
Total Non-OP items	**2,151**	**(1,632)**	**232%**	**1,183**	**82%**

(unaudited brand consolidated financials)

2Q 2020 Brand Balance Sheet

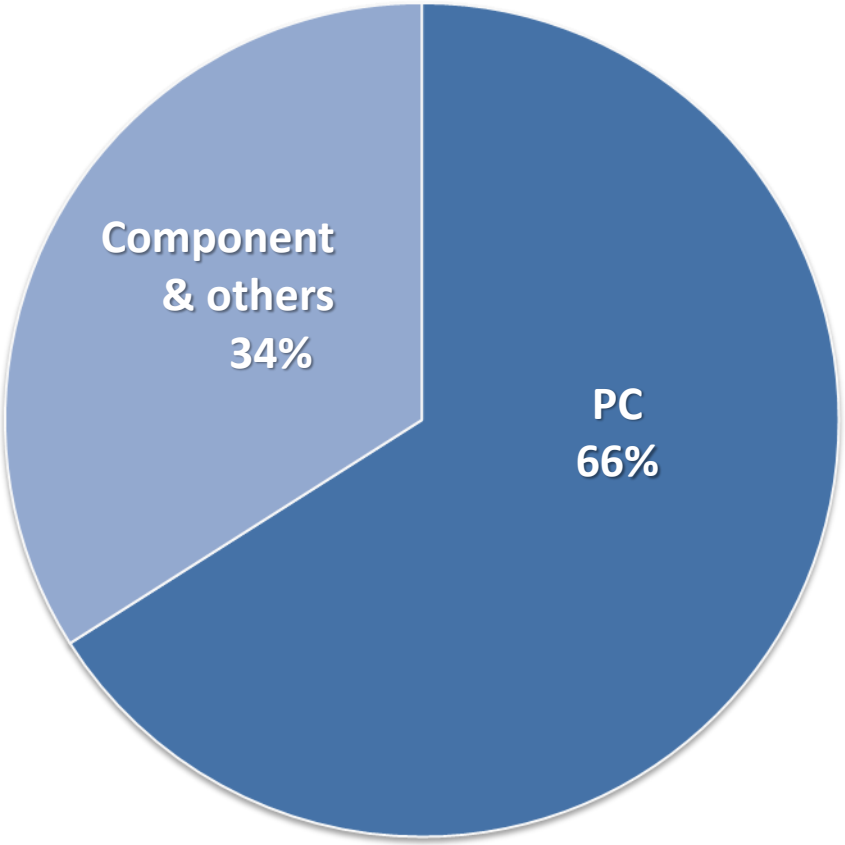
in NT$ Mn	Jun 30, 2020	Mar 31, 2020	QoQ	Jun 30, 2019	YoY
Cash & equivalents	62,178	62,168	0%	61,703	1%
Accounts receivable	71,853	44,037	63%	62,949	14%
Inventories	81,444	76,699	6%	75,039	9%
Current Assets	**225,738**	**193,108**	**17%**	**208,186**	**8%**
Long-term investments	78,618	67,533	16%	68,072	15%
Fixed assets	17,685	17,985	-2%	15,580	14%
Total Assets	**339,086**	**295,574**	**15%**	**308,902**	**10%**
Accounts payable	59,753	37,321	60%	42,126	42%
Current Liabilities	**154,223**	**114,409**	**35%**	**136,508**	**13%**
Total Liabilities	**167,428**	**127,705**	**31%**	**148,132**	**13%**
Paid-in capital	7,428	7,428		7,428	
Stockholders' equity	**171,658**	**167,869**	**2%**	**160,770**	**7%**
Avg. Days of Inventory	101	124		116	
Avg. Days of AR	62	77		86	
Avg. Days of AP	67	82		70	
Avg. CCC Days	**96**	**119**		**132**	

(unaudited brand consolidated financials)

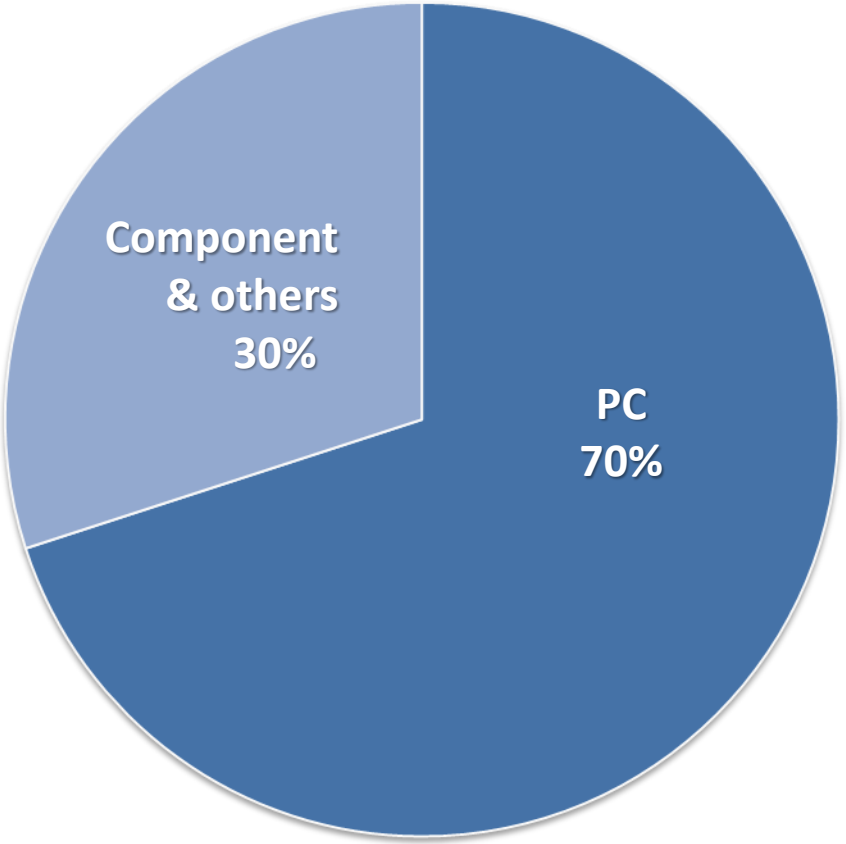
Business Highlights

2Q 2020 Product Mix

2Q 2020



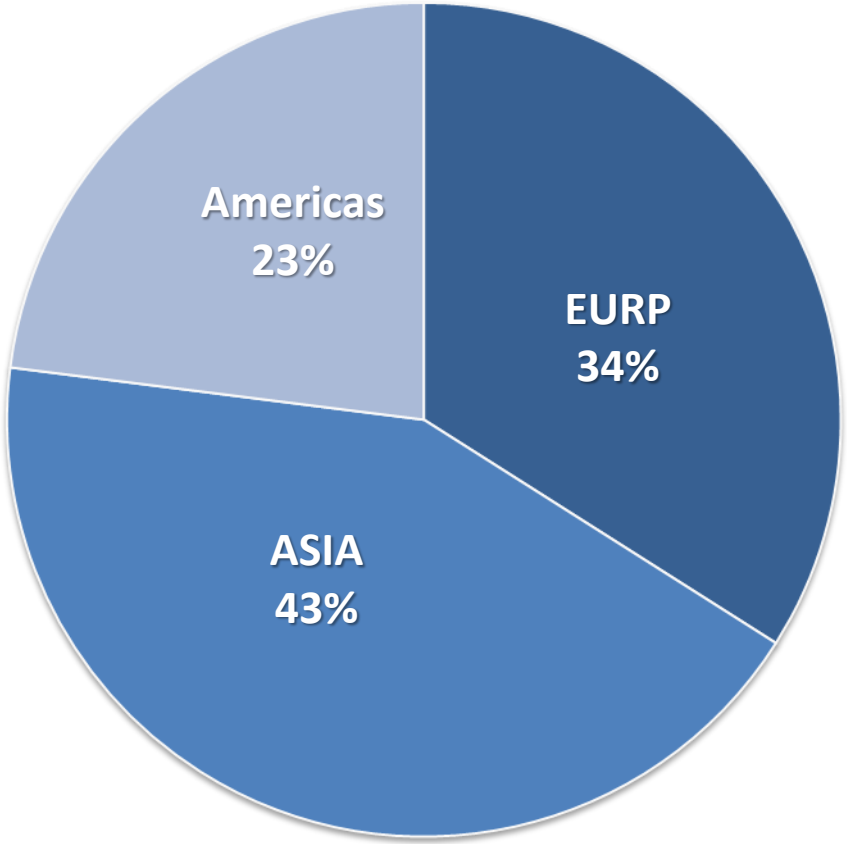
2Q 2019



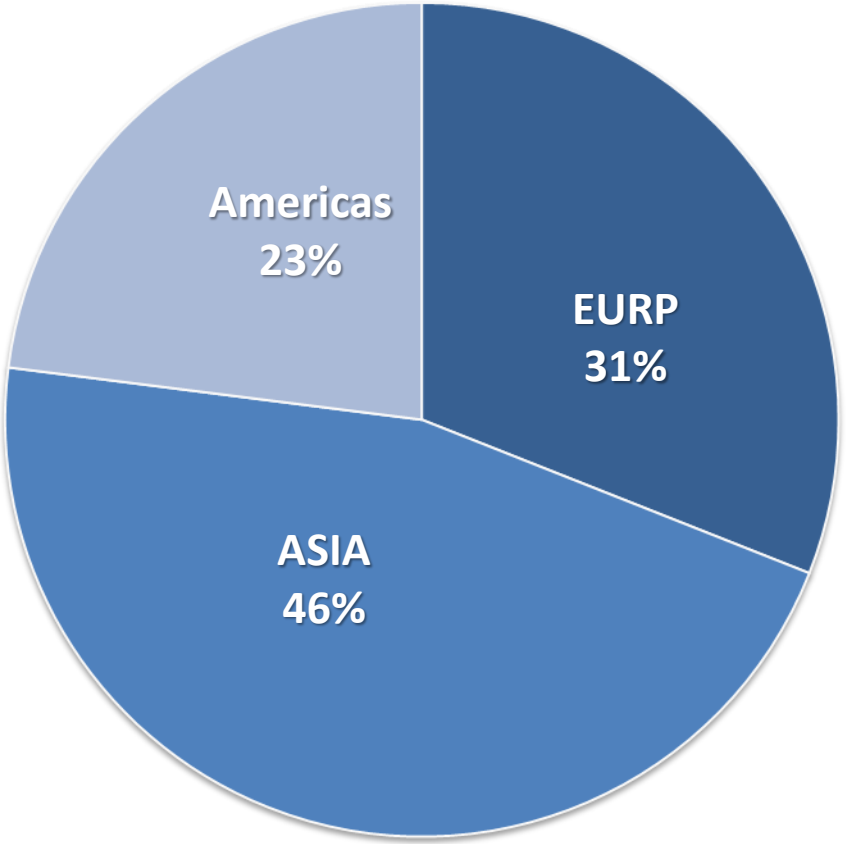
* Excluding revenue of smartphones

2Q 2020 Region Mix

2Q 2020



2Q 2019



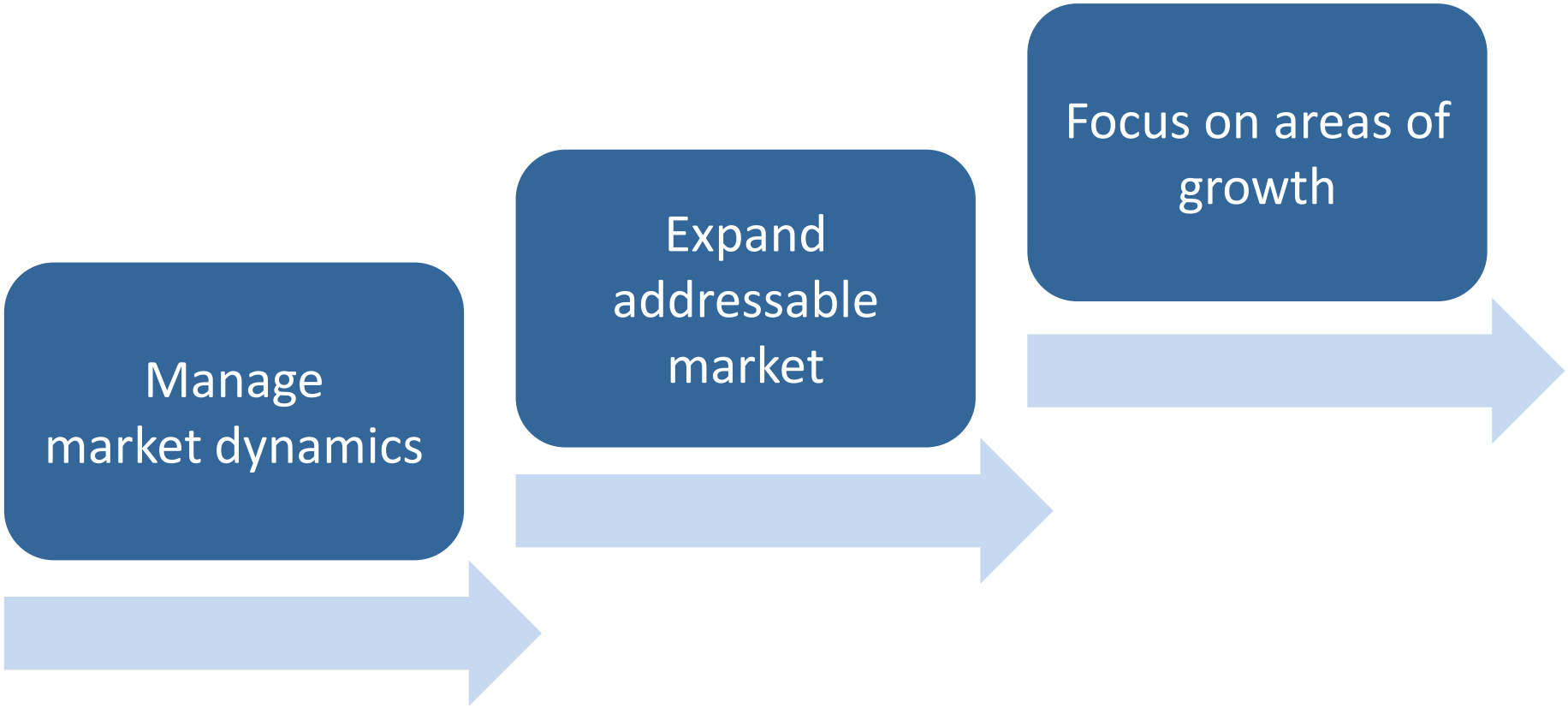
* Excluding revenue of smartphones

3Q 2020 Business Outlook

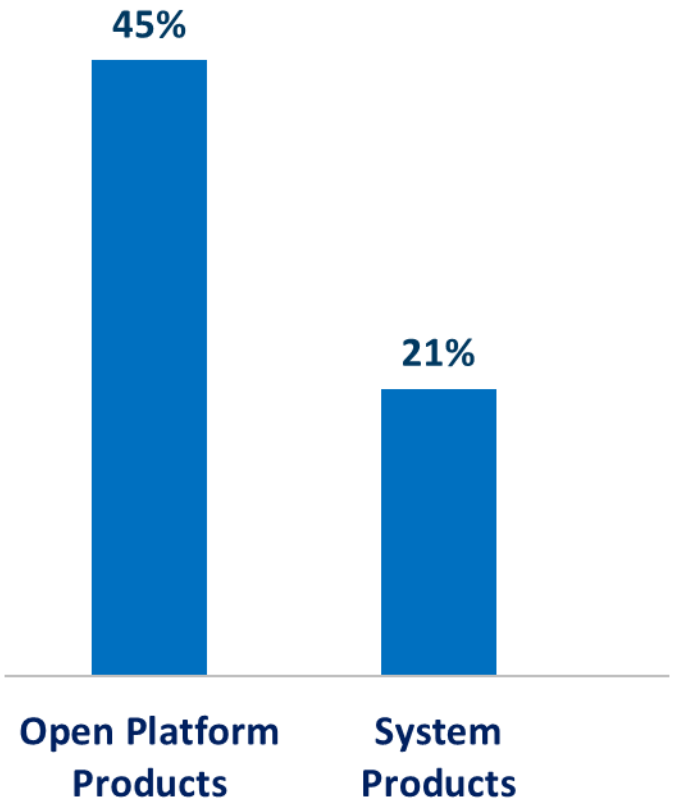
- **PC QoQ +30%**
- **Component QoQ +10%**

Strategy & Outlook

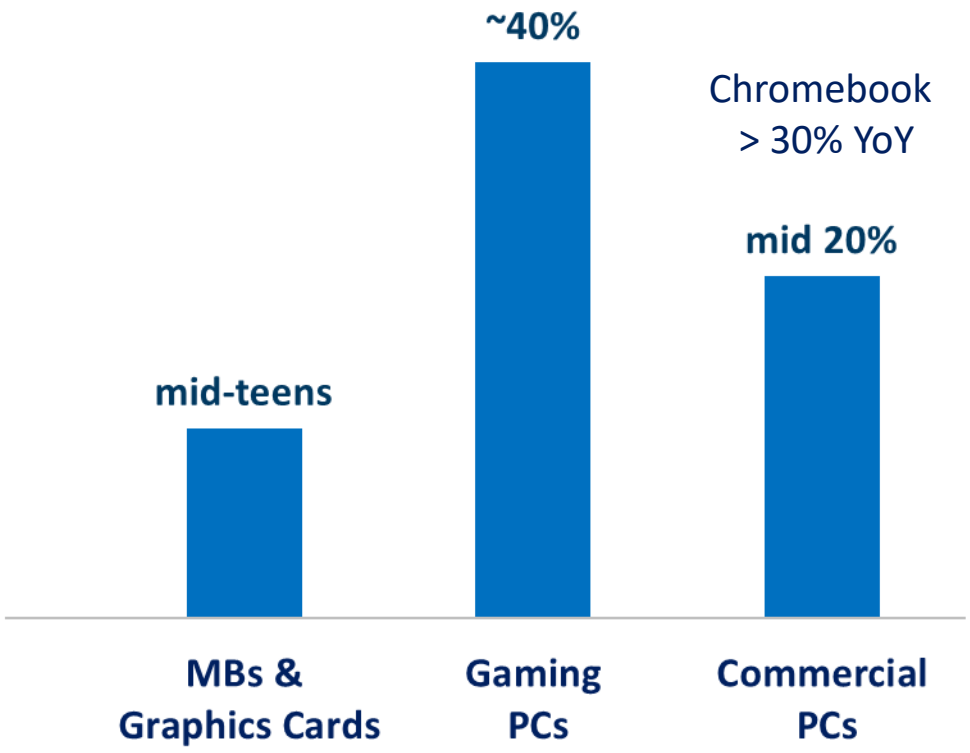
Key Business Objectives



Business Growth in Q2 2020



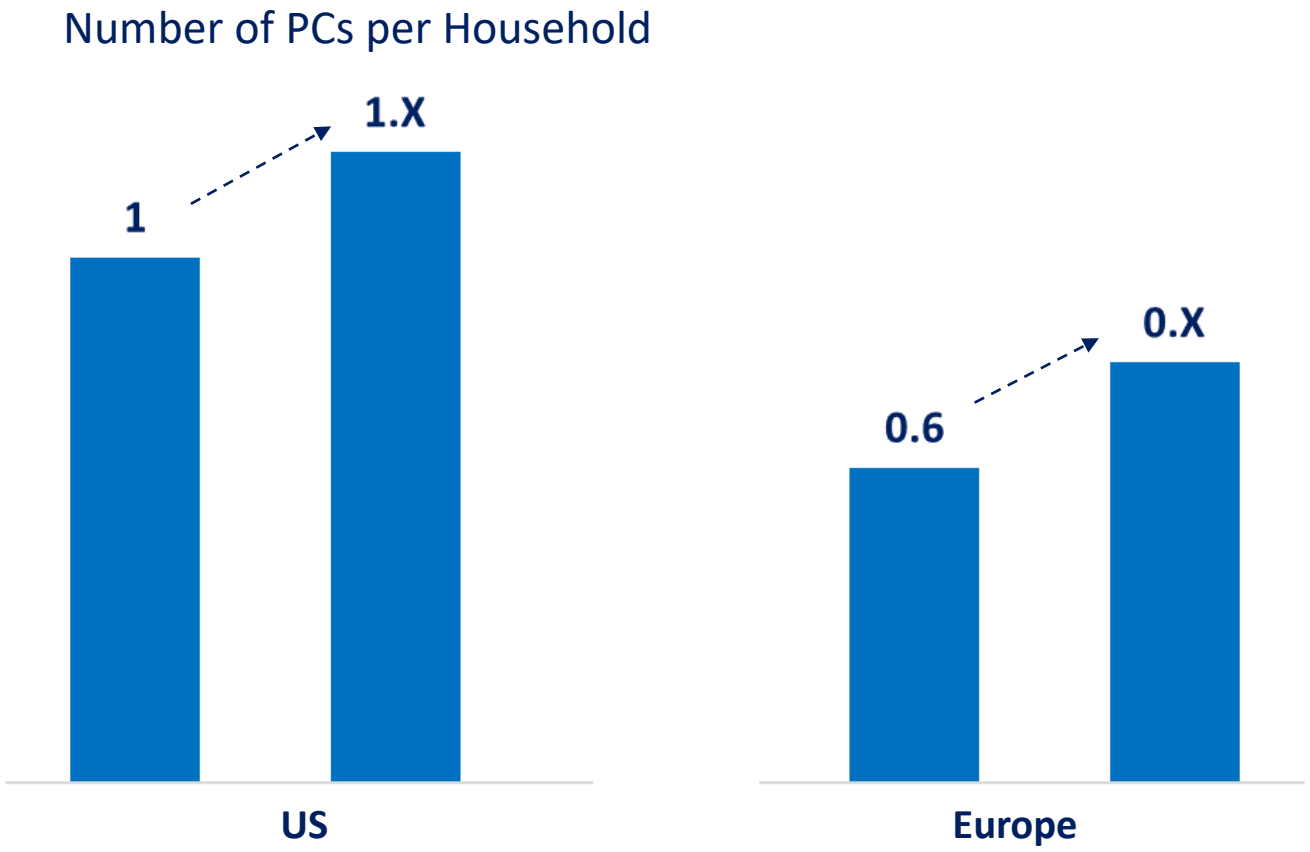
(Revenue YoY)



(Units YoY)

Potential Sustainable Growth for PC Market

- **As working and studying from home accelerate development of new usage scenarios, PC demand could experience double-digit growth over the long term.**



ASUS AIOT Developments

Smart Medical

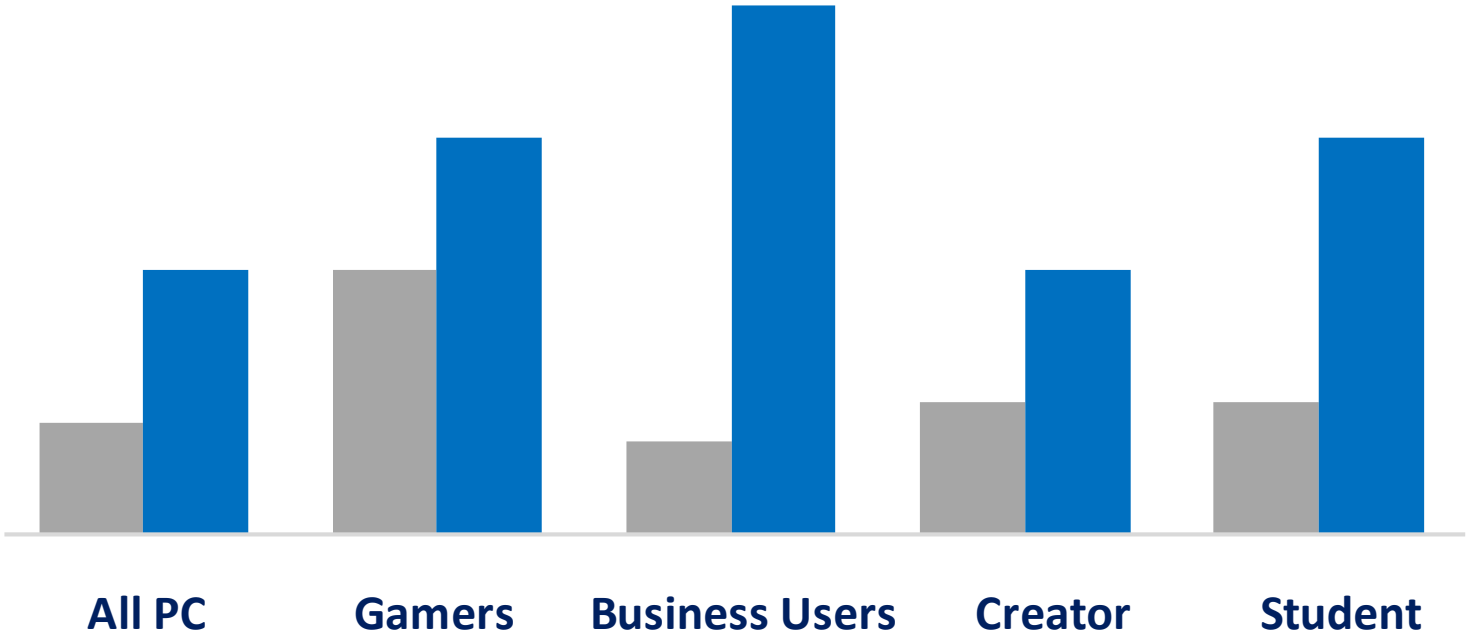
Smart Manufacturing

Super Computer

ASUS PC Strategy and Aspirational Goals

Expected market growth rate over the next three years

ASUS aspirational goals (growth rate)



ASUS path to aspirational goals

- Design Thinking
- NPS
- Brand Position
- AI Evolution
- Connected Services
- CRM

Total Gaming Solutions Provider

- **ASUS offers total gaming solutions to revolutionize gaming experiences.**

Brand

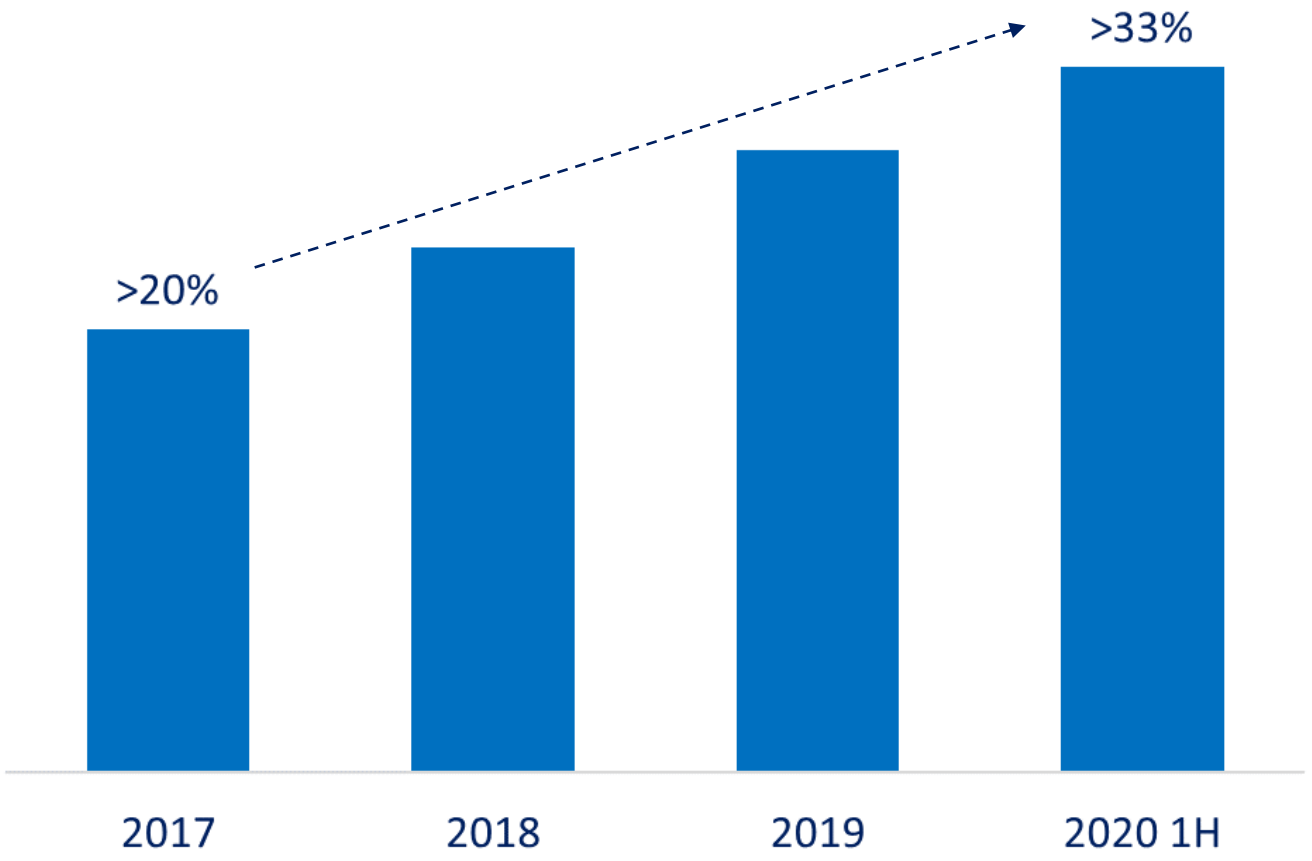
REPUBLIC OF GAMERS

ROG was founded to help gamers explore infinite possibilities and achieve their true potential.

Product

Community

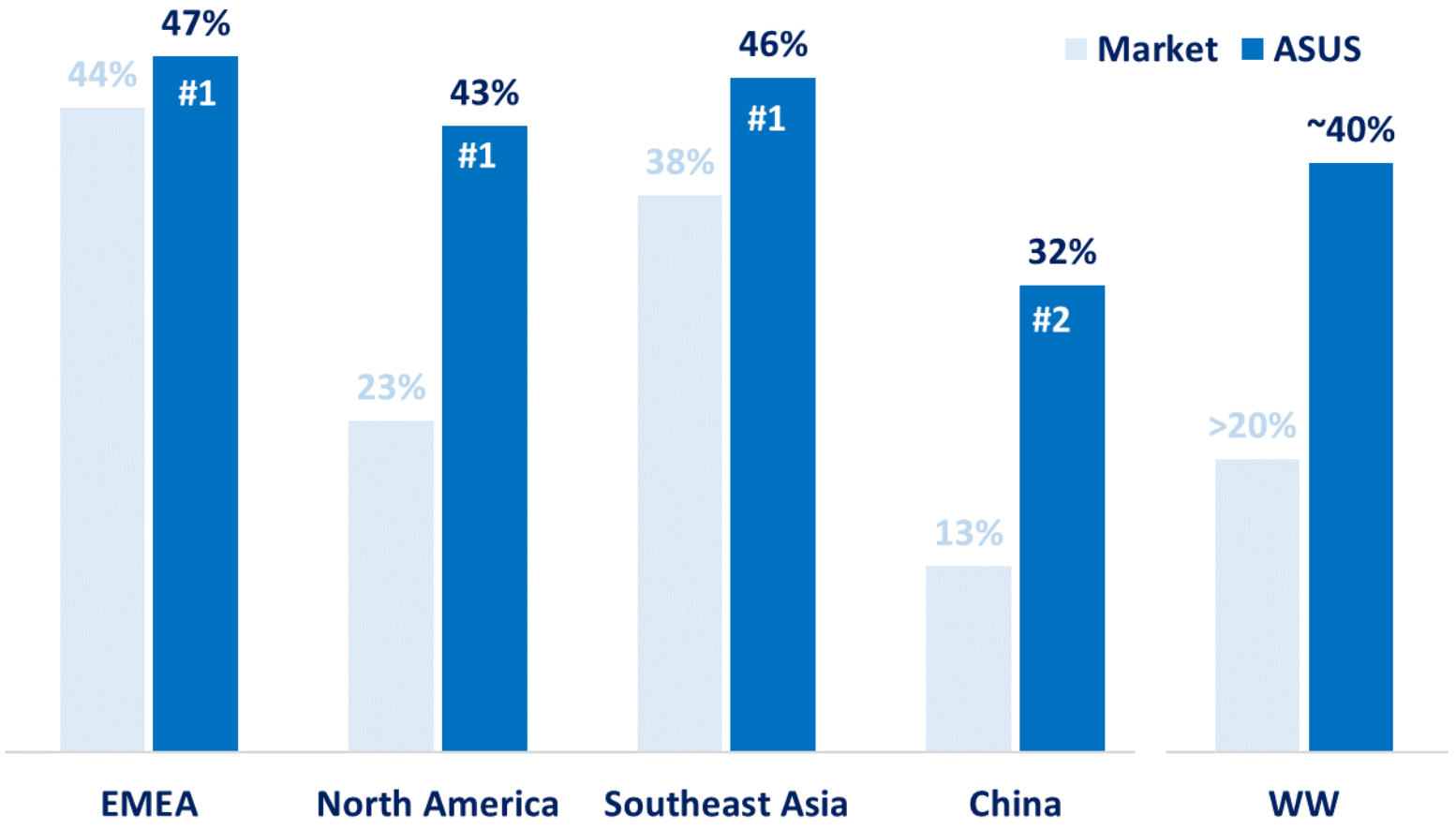
Gaming is One Third of ASUS Brand Revenue



ASUS provides the most comprehensive portfolio of gaming devices, including motherboards, graphics cards, notebooks, desktops, displays, routers, accessories and ROG Phone.

Gaming Notebook Growth by Region

ASUS gaming notebook shipments YoY growth (1H 2020)



Q & A

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1. Given the supply chain constraint due to COVID-19, how could ASUS prevent smartphone business from experiencing supply issues as previous years? Could you give us color on the orders and market reactions after the launch of ROG Phone 3?

2. Can we view the gross margin improvement in 1H 2020 as the normal figure after the effort on product mix improvement? Can you share the strategy on expense control as the revenue grew by 20% YoY in 2Q 2020, while the operating expense only increased by 2% YoY?

Confidential

3. We see a trend that the share of mainstream models are increasing due to COVID-19, but it seems that the gross margin in 2Q 2020 was not be impacted. Can you give color on it?

4. As the PC demand is expected to be strong, is there any concern on the component shortage or price hike to affect the profitability in 2H 2020?

Confidential

5. What's your view on the demand of consumer PCs? Does the company still target to deliver growth in consumer PCs segment? Is the growth driven by market share gain or the market demand increase triggered by working from home and studying from home?

6. What's the contribution of Chromebook in terms of shipments and revenue? What's the gross margin of Chromebook? Has ASUS obtained any significant bids in certain region this year?

Confidential

7. What is the progress of smartphone strategic development and the expectation on P&L in 2H 2020? Is there any schedule or execution plan on breakeven?

8. If PC component supply is expected to be constrained, will Asus prioritize delivery of premium models, resulting in better product mix and margin increase in 2H 2020?

Confidential

9. Given the positive view on the market trend, how do you expect the growth of NB and gaming PC shipments in 2020?

10. As there is positive impact on PC market due to COVID-19, do we also see positive development on motherboard business? Can we expect the launch of Comet Lake and the new GPU products to further drive the motherboard and graphics card shipments in 2H 2020?

Confidential

11. It is mentioned that the demand has exceeded the supply. Do you also see supply shortage on AMD CPU platform? Is there any difference on shortage between high/middle/low-end PC models? How is the supply gap?

Confidential