CyberLink (5203.TW)
2013 Results Conference
The Innovative Solutions Provider for the Connected Digital Lifestyle
Feb. 13, 2014
Safe Harbor Notice

The following pages contain projections & estimates of financial information as well as market and product developments for future periods. These projections & estimates are based on information currently available which we believe to be reliable, but they involve risks & uncertainties. Our actual results of operations & financial condition may differ significantly from those contained in the projections & estimates. The projections & estimates should not be interpreted as legally binding commitments, but rather as flexible information subject to change occasionally.
Agenda

- Company Profile
- 2013 Financial Results
- Corporate & Product Updates
- Opportunities- CyberLink in the New Economy
- Summary
- Q&A
Company Profile
Company Profile

• Founded in 1996, world leader in consumer multimedia software industry
• Headquartered in Taipei, with subsidiaries in US, Japan, and Netherlands, with about 600 employees
• Company went public in Taiwan stock market in 2000 with persistent strong financial performance
• More than 20 products for PC, Apple iPad/iPhone, Android tablet/phone, and Windows 8 Metro tablets.
• Over 135 patents globally in digital media domain
Sustainable Earnings & Consistent High Dividend Policy

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<td>Dividend Per Share</td>
<td>5.19</td>
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<tr>
<td>Payout Ratio</td>
<td>69%</td>
<td>75%</td>
<td>76%</td>
<td>77%</td>
<td>82%</td>
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2. NT$6.9 was as announced in the release of 2012 financial results. It was NT$6.54 if retroacted by the latest sharing outstanding
3. NT$7.6 includes a NT$7.0 cash dividend for 2012 earning distribution and a capital increase of $0.6 per share
Business Model
- Consumer Multimedia Software -

• Bundling with hardware devices (B2B)
  – We dominate this B2B market with majority market share
  – ALL Top 10 PC vendors are our customers

• Direct sales to end users via webstore & retail stores (B2C)
  – Best products (Editor’s Choices) in several categories
Taiwan’s Top 20 Global Brands

- CyberLink is recognized among Taiwan Top 20 Global Brands for 5th consecutive year

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<th>Year</th>
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<th>2011</th>
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Top Taiwan Global Brands Survey is conducted annually and organized by the Taiwan External Trade Development Council (TAITRA) with help from BusinessNext and Interbrand.

http://www.brandingtaiwan.org/TopTwenty/en/Index.html
Complete Family of Digital Media Solutions

PLAY

POWERDVD FAMILY

World’s No. 1 movie and media player
For desktop and smart devices

MEDIA UTILITIES

Power2Go - Burn & protect media files onto discs
MediaEspresso - Convert media to any format

CREATE

DIRECTOR FAMILY

Revolutionary solution for the creative photographer and videographer

SHARE & ENJOY

MediaShow - Create, organize and share photos and videos
YouCam - Webcam tools for work and play
2013 Financial Results (Un-audited)
Financial Highlights

• **Q4-2013**
  – Revenue NT$659.9M, +0.3% Q/Q and -25.0% Y/Y
    • Missed guidance at +5%~+9% Q/Q due to weaker than expected B2B performance
  – Gross profit NT$578.3M, **+6.7% Q/Q** and -3.5% Y/Y
    • Gross margin at 87.6%, exceeding guidance at 83% +/-1.5%, due mainly to more project revenues with high margin
  – Operating income NT$250.2M, **+10.7% Q/Q** and -12.8% Y/Y
    • Operating margin at 37.9%, met guidance at 38%+/-1.5%.
  – Net income NT$192.1M, **+17.4% Q/Q** and -7.8% Y/Y
    • Basic EPS after tax NT$1.92

• **2013**
  – Revenue NT$2,580.2M, -25.3% Y/Y. Gross profit NT$2,166.9M, **+6.2% Y/Y**
  – Operating income NT$898.1M, **+5.3% Y/Y**. Operating margin 34.8%.
  – Net income NT$707.9M, **+8.3% Y/Y**. Net margin 27.4% and EPS after tax NT$7.07

• **Balance Sheet**
  – Cash, cash equivalent & short-term investment at NT$4,247M as of end of 2013, accounting for 66.8% of total asset. No debt.

• **Dividend Policy**
  – Continue the consistent policy of high dividend payout
## Consolidated Income Statement Q4-2013 Y/Y

<table>
<thead>
<tr>
<th>In NT$K</th>
<th>Q4-2013</th>
<th>%</th>
<th>Q4-2012</th>
<th>%</th>
<th>Y/Y</th>
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</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>659,968</td>
<td>100.0%</td>
<td>879,736</td>
<td>100.0%</td>
<td>-25.0%</td>
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<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(81,659)</td>
<td>12.4%</td>
<td>(280,690)</td>
<td>31.9%</td>
<td>-70.9%</td>
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<tr>
<td><strong>Gross Profit</strong></td>
<td>578,309</td>
<td>87.6%</td>
<td>599,046</td>
<td>68.1%</td>
<td>-3.5%</td>
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<tr>
<td><strong>Operating Expense</strong></td>
<td>(328,062)</td>
<td>49.7%</td>
<td>(312,148)</td>
<td>35.5%</td>
<td>5.1%</td>
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<tr>
<td>R&amp;D</td>
<td>(136,642)</td>
<td>20.7%</td>
<td>(129,979)</td>
<td>14.8%</td>
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</tr>
<tr>
<td>S&amp;M</td>
<td>(141,341)</td>
<td>21.4%</td>
<td>(147,141)</td>
<td>16.7%</td>
<td>-3.9%</td>
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<tr>
<td>G&amp;A</td>
<td>(50,079)</td>
<td>7.6%</td>
<td>(35,028)</td>
<td>4.0%</td>
<td>43.0%</td>
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<tr>
<td><strong>Operating Income</strong></td>
<td>250,247</td>
<td>37.9%</td>
<td>286,898</td>
<td>32.6%</td>
<td>-12.8%</td>
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<td><strong>Non Operating Income</strong></td>
<td>41,935</td>
<td>6.4%</td>
<td>17,490</td>
<td>2.0%</td>
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<td><strong>Income before Tax</strong></td>
<td>292,182</td>
<td>44.3%</td>
<td>304,388</td>
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<td><strong>Income after Tax</strong></td>
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<td>29.1%</td>
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<td><strong>Basic EPS before Tax (in NT$)</strong></td>
<td>2.92</td>
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<td><strong>Basic EPS after Tax (in NT$)</strong></td>
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<td>2.08</td>
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<td>-7.9%</td>
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## Consolidated Income Statement Q4-2013 Q/Q

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<td>658,094</td>
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<td><strong>Cost of goods Sold</strong></td>
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<td>12.4%</td>
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<td>542,238</td>
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<td>(316,223)</td>
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<td>R&amp;D</td>
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<td>20.7%</td>
<td>(132,541)</td>
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<td>3.1%</td>
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<td>S&amp;M</td>
<td>(141,341)</td>
<td>21.4%</td>
<td>(132,110)</td>
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<tr>
<td>G&amp;A</td>
<td>(50,079)</td>
<td>7.6%</td>
<td>(51,572)</td>
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<tr>
<td><strong>Operating Income</strong></td>
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<td>37.9%</td>
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<td>10.7%</td>
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<td><strong>Non Operating Income</strong></td>
<td>41,935</td>
<td>6.4%</td>
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<td>44.3%</td>
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<tr>
<td><strong>Income after Tax</strong></td>
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<td>29.1%</td>
<td>163,608</td>
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<td>17.4%</td>
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<td><strong>Basic EPS before Tax (in NT$)</strong></td>
<td>2.92</td>
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<td>2.25</td>
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<td><strong>Basic EPS after Tax (in NT$)</strong></td>
<td>1.92</td>
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<td>1.64</td>
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<td>17.4%</td>
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## Consolidated Income Statement 2013 Y/Y

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<th>In NT$K</th>
<th>2013</th>
<th>%</th>
<th>2012</th>
<th>%</th>
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<td><strong>Net sales</strong></td>
<td>2,580,196</td>
<td>100.0%</td>
<td>3,452,784</td>
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<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(413,218)</td>
<td>16.0%</td>
<td>(1,412,647)</td>
<td>40.9%</td>
<td>-70.7%</td>
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<td><strong>Gross Profit</strong></td>
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<td>84.0%</td>
<td>2,040,137</td>
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<tr>
<td><strong>Operating Expense</strong></td>
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<td>49.2%</td>
<td>(1,187,241)</td>
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<td>6.9%</td>
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<tr>
<td>R&amp;D</td>
<td>(544,114)</td>
<td>21.1%</td>
<td>(509,127)</td>
<td>14.7%</td>
<td>6.9%</td>
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<tr>
<td>S&amp;M</td>
<td>(542,924)</td>
<td>21.0%</td>
<td>(537,663)</td>
<td>15.6%</td>
<td>1.0%</td>
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<tr>
<td>G&amp;A</td>
<td>(181,812)</td>
<td>7.0%</td>
<td>(140,451)</td>
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<td>29.4%</td>
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<tr>
<td><strong>Operating Income</strong></td>
<td>898,128</td>
<td>34.8%</td>
<td>852,896</td>
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<td>5.3%</td>
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<td><strong>Non Operating Income</strong></td>
<td>93,727</td>
<td>3.6%</td>
<td>47,698</td>
<td>1.4%</td>
<td>96.5%</td>
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<tr>
<td><strong>Income before Tax</strong></td>
<td>991,855</td>
<td>38.4%</td>
<td>900,594</td>
<td>26.1%</td>
<td>10.1%</td>
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<td><strong>Income after Tax</strong></td>
<td>707,950</td>
<td>27.4%</td>
<td>653,817</td>
<td>18.9%</td>
<td>8.3%</td>
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<td><strong>Basic EPS before Tax (in NT$)</strong></td>
<td>9.91</td>
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<td>9.00</td>
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<td><strong>Basic EPS after Tax (in NT$)</strong></td>
<td>7.07</td>
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<td>6.54</td>
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<td>8.2%</td>
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Balanced Product Mix
CREATE (Media Creation) and PLAY (Digital Entertainment)

Gross Profit Breakdown by Product Group

- Media Creation and Misc: creativity, burning, media management and others.
- Digital Entertainment: playback, media server/client, codec pack, etc.
Branding Power to Consumers
B2C Continues to Increase

Gross Profit Breakdown by B2B/B2C

- B2C business is not dependent on new PC shipment!
Sustainable Earnings & Consistent High Dividend Policy

1. NT$7.05 was calculated using 2011 net earnings divided by the number of share outstanding as of end of 2011. Due to the 20% capital reduction, 2011 basic EPS audited by CPA was NT$6.11 based on the weighted average number of shares in 2011.

2. NT$6.9 was as announced in the release of 2012 financial results. It was NT$6.54 if retroacted by the latest sharing outstanding.

3. NT$7.6 includes a NT$7.0 cash dividend for 2012 earning distribution and a capital increase of $0.6 per share.

- Sustainable EPS through out years even in the toughest period of PC industry
- Consistent high payout policy to remain good yield and to increase shareholders’ value

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Q1-2014 Outlook

• Consolidated Q1-2014 guidance assuming FX NT$30:

  – Revenue (Q/Q) : -18% +/- 2% from Q4-2013
  – Gross margin : 82% +/- 1.5%
  – Operating margin: 27% +/- 1.5%

➢ In 2014 we will invest aggressively in new opportunities on apps and ads (details to be elaborated in later slides).
➢ We are convinced the investments are crucial and promising for the company moving to the next scale.
➢ 2014 effective tax rate is estimated around 20% compared to 28.6% in 2013
Corporate & Product Updates
Corporate Awards in Q4-2013

2013 Top 20 Global Brands
(By Interbrand)
CyberLink is recognized for 5th consecutive year

Taiwan’s Hidden Champion
(By Industrial Development, Ministry of Economic Affairs)
128 companies nominated and CyberLink is in the final top 10.
Corporate Awards in Q4-2013

企業社會責任公益獎
(由中華民國優良廠商協會頒發)
2013 Taiwan Corporate Social Responsibility Award
(By R.O.C. Fine Manufacturer Association)

2013第三屆幸福企業獎
(由台北市政府勞動局頒發)
2013 Blissful Enterprise Award
(By Dept. of Labor, Taipei City Government)
Opportunities-
CyberLink in the **New Economy**
Complete Family of Digital Media Solutions

**PLAY**

**POWERDVD FAMILY**
World’s No. 1 movie and media player
For desktop and smart devices

**MEDIA UTILITIES**
- **Power2Go** - Burn & protect media files onto discs
- **MediaEspresso** - Convert media to any format

**CREATE**

**DIRECTOR FAMILY**
Revolutionary solution for the creative photographer and videographer

**SHARE & ENJOY**
- **MediaShow** - Create, organize and share photos and videos
- **YouCam** - Webcam tools for work and play
CyberLink offers not just **PC software**, but also **Mobile apps**, and **Cloud Services & Content**
CL Cloud

Premium → Free

Premium content (Ultraviolet movies)
CyberLink Cloud (storage + sync + collaborate + share)
MoovieLive
DirectorZone

Product

Play

PC ($$)
Tablet ($)
Phone ($, 0)

Create

Artistic

Personal productivity

PDVD
PDR
PDR-M
YouCam
YouCam Perfect
YouSnap

PDVD Mobile
PDVD Remote
PhD-M
YouCam Perfect
Audio Clipper

PDVD Mobile
PDVD Remote
YouCam
YouCam - M
YouNote

CyberLink

CREATE & PLAY
CyberLink APPs for Smart Devices

- **Media Player**: PowerDVD Mobile, PowerDVD Remote
- **Camera App**: YouCam Mobile, YouCam Perfect
- **Video Editing**: PowerDirector Mobile
- **Photo Editing**: PhotoDirector Mobile
- **Utilities**: YouNote, YouSnap
CyberLink’s New Economy Focus

1. Software Subscription Business Model
   – Not just subscription in payment, also with bonus cloud storage & extra cloud services

2. Advertisement revenue from highly popular Content Sites
   – MoovieLive.com & DirectorZone.com

3. Revenue opportunities generated from highly popular mobile apps
   – Some highly popular ones will be released in Q1 2014
The New Economy
Software Subscription Model, with bonus cloud storage & services

● PowerDVD Live
  – World’s first subscription-based multimedia player with integrated cloud storage & extra services
  – Test run since Oct. 2013
  – Grand campaign from Mar. 2014

● Director Suite Live
  – Editing family join subscription alignment from Mar. 2014
The New Economy

Ad revenue from MoovieLive & DirectorZone

- More than 800M pageviews per year
- Recently enabled 5M pageviews (0.6%) to carry Ads
  - already generating $60K ad revenue per year
- Will enable more pageviews with Ads this year
The New Economy
Revenue from Mobile Apps

- Leveraging current huge PC user base to trigger apps seeding
- High potential to reach critical mass → Ad & In-app Purchase

Over **1 billion** HIGHLY targeted impressions/y

In-product ads
- eMail marketing
- OEM partnerships
- CyberLink’s communities
  - DirectorZone
  - MoovieLive

Industry’s most complete family of multimedia apps derived from our best-in-class software brands

Ideal ad vehicle
- Sticky: Camera and viewing are top use cases
- Targeted: Attractive to technology vendors
CyberLink’s Opportunities Ahead

NEW Economy
Subscription, Web Ad & APP

Current Business
PC Software (B2B & B2C)

PC Bundling

Highly focused video & photo target consumers

Subscription Model

Web Commerce
Brick & Mortar Sales
Expanding Investments in the New Economy

• Foresaw the opportunities, we actively invest resources in the New Economy since 2013.

• We will continue good investments (in term of human resources & infrastructures) in 2014
  – Estimated more than 30% of RD resource in New Economy
CyberLink in Action

- We will aggressively invest more in app developments
- We can leverage large PC user installation base to grow app user base
- We will monetize thru ads, in-app purchase, and cross sale to PC software

- We have been operating popular content sites with near 1 billion impressions per year
  - DirectorZone (for CREATE users)
  - MooveLive (for PLAY users)
- We will start to monetize it thru ads

- CyberLink has a very strong brand awareness in multimedia software with >100M copies of software each year to all Top PC Vendors
- Will strongly promote New Business Model: Subscription-based PDVD Live and Director Suite Live
Summary

• Q4-2013 margins met guidance and net income was +19.4% Q/Q. 2013 EPS after tax hit **NT$7.07** and the policy of high dividend payout will remain.

• Expect Q1-14 revenue -18% +/-2% from Q4-13 and operating margin 27% +/-1.5%
  – With new investment for New Economy

• Standing on the solid base of existing business and fully embracing opportunities in the New Economy
  – Expanding Subscription-based cloud services (PDVD Live & Director Suite Live)
  – Monetizing from Ad on MoovieLive.com & DirectorZone.com
  – More free apps in multimedia solution with Ads and In-App Purchase
For more information about CyberLink:
www.CyberLink.com

For IR inquiries, suggestions and comments:
investor@cyberlink.com

Thank You!