CyberLink (5203.TW)

Q2-2016 Results Conference

The Innovative Experience Provider for CREATE & PLAY of Digital Media

Jul. 27, 2016
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

- Q2-2016 Financial Results
- Business Update
- CyberLink’s Opportunities in VR
- Q&A
Q2-2016 Financial Results
(Un-audited)
Financial Highlights

• **Q2’16**
  – Revenue NT$464.0M, -8.5% Q/Q and 0.3% Y/Y.
  – Gross Profit NT$396.6M, -9.6% Q/Q and -0.4% Y/Y
  – Operating Income NT$170.1M, -21.9% Q/Q and 28.8% Y/Y
  – Net Income NT$63.0M and basic EPS after tax NT$0.65

• **H1’16**
  – Revenue NT$971.1M, 2.5% Y/Y. Gross profit NT$835.2M, 2.7% Y/Y.
  – Operating Income NT$388.0M, 47.9% Y/Y and operating margin 40.0%
  – Net Income NT$153.4M, basic EPS after tax hit $1.58.

• **Balance Sheet**
  – Cash, cash equivalent & short-term investment at NT$3,901.3M as of end of Q2-2016, accounting for 63% of total asset. No debt.

• **Dividend Policy**
  – The distribution of NT$4.0 cash dividend was approved in the Annual General Shareholders’ meeting in June
## Consolidated Income Statement Q2-2016

<table>
<thead>
<tr>
<th>In NT$K</th>
<th>Q2'16</th>
<th>%</th>
<th>Q2'15</th>
<th>%</th>
<th>Y/Y</th>
<th>Q1'16</th>
<th>%</th>
<th>Q/Q</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>463,972</td>
<td>100.0%</td>
<td>462,523</td>
<td>100.0%</td>
<td>0.3%</td>
<td>507,115</td>
<td>100.0%</td>
<td>-8.5%</td>
</tr>
<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(67,396)</td>
<td>14.5%</td>
<td>(64,400)</td>
<td>13.9%</td>
<td>4.7%</td>
<td>(68,455)</td>
<td>13.5%</td>
<td>-1.5%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>396,576</td>
<td>85.5%</td>
<td>398,123</td>
<td>86.1%</td>
<td>-0.4%</td>
<td>438,660</td>
<td>86.5%</td>
<td>-9.6%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>(226,457)</td>
<td>48.8%</td>
<td>(266,087)</td>
<td>57.6%</td>
<td>-14.9%</td>
<td>(220,822)</td>
<td>43.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>(84,122)</td>
<td>18.1%</td>
<td>(102,996)</td>
<td>22.3%</td>
<td>-18.3%</td>
<td>(84,417)</td>
<td>16.6%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>S&amp;M</td>
<td>(107,230)</td>
<td>23.1%</td>
<td>(129,591)</td>
<td>28.0%</td>
<td>-17.3%</td>
<td>(106,567)</td>
<td>21.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>(35,105)</td>
<td>7.6%</td>
<td>(33,500)</td>
<td>7.3%</td>
<td>4.8%</td>
<td>(29,838)</td>
<td>5.9%</td>
<td>17.7%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>170,119</td>
<td>36.7%</td>
<td>132,036</td>
<td>28.5%</td>
<td>28.8%</td>
<td>217,838</td>
<td>43.0%</td>
<td>-21.9%</td>
</tr>
<tr>
<td><strong>Non Operating Income</strong></td>
<td>(60,710)</td>
<td>13.1%</td>
<td>21,254</td>
<td>4.6%</td>
<td>-385.6%</td>
<td>(103,150)</td>
<td>20.4%</td>
<td>-41.1%</td>
</tr>
<tr>
<td><strong>Income before Tax</strong></td>
<td>109,409</td>
<td>23.6%</td>
<td>153,290</td>
<td>33.1%</td>
<td>-28.6%</td>
<td>114,688</td>
<td>22.6%</td>
<td>-4.6%</td>
</tr>
<tr>
<td><strong>Income after Tax</strong></td>
<td>62,993</td>
<td>13.6%</td>
<td>125,805</td>
<td>27.2%</td>
<td>-49.9%</td>
<td>90,439</td>
<td>17.8%</td>
<td>-30.3%</td>
</tr>
<tr>
<td><strong>Basic EPS after Tax (in NT$)</strong></td>
<td>0.65</td>
<td></td>
<td>1.25</td>
<td></td>
<td>-48.0%</td>
<td>0.93</td>
<td></td>
<td>-30.1%</td>
</tr>
</tbody>
</table>

Note: All figures are in New Taiwan Dollars (NT$).
## Consolidated Income Statement H1-2016

<table>
<thead>
<tr>
<th>In NT$K</th>
<th>H1-2016</th>
<th>%</th>
<th>H1-2015</th>
<th>%</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>971,087</td>
<td>100.0%</td>
<td>947,731</td>
<td>100.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(135,851)</td>
<td>14.0%</td>
<td>(134,108)</td>
<td>14.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>835,236</td>
<td>86.0%</td>
<td>813,623</td>
<td>85.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>(447,279)</td>
<td>46.1%</td>
<td>(551,334)</td>
<td>58.1%</td>
<td>-18.9%</td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td>(168,539)</td>
<td>17.4%</td>
<td>(217,434)</td>
<td>22.9%</td>
<td>-22.5%</td>
</tr>
<tr>
<td><strong>S&amp;M</strong></td>
<td>(213,797)</td>
<td>22.0%</td>
<td>(265,729)</td>
<td>28.0%</td>
<td>-19.5%</td>
</tr>
<tr>
<td><strong>G&amp;A</strong></td>
<td>(64,943)</td>
<td>6.7%</td>
<td>(68,171)</td>
<td>7.2%</td>
<td>-4.7%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>387,957</td>
<td>40.0%</td>
<td>262,289</td>
<td>27.7%</td>
<td>47.9%</td>
</tr>
<tr>
<td><strong>Non Operating Income (Loss)</strong></td>
<td>(163,860)</td>
<td>16.9%</td>
<td>17,183</td>
<td>1.8%</td>
<td>-1053.6%</td>
</tr>
<tr>
<td><strong>Income before Tax</strong></td>
<td>224,097</td>
<td>23.1%</td>
<td>279,472</td>
<td>29.5%</td>
<td>-19.8%</td>
</tr>
<tr>
<td><strong>Income after Tax</strong></td>
<td>153,432</td>
<td>15.8%</td>
<td>233,474</td>
<td>24.6%</td>
<td>-34.3%</td>
</tr>
<tr>
<td><strong>Basic EPS after Tax (in NT$)</strong></td>
<td>1.58</td>
<td></td>
<td>2.33</td>
<td></td>
<td>-32.2%</td>
</tr>
</tbody>
</table>
Create vs. Play

Create: Products of Creativity, burning, media management and others.

Play: Products of playback, media server/client, codec pack, etc.

Gross Profit Breakdown

B2B vs. B2C

B2B: Conventional hardware bundling.

B2C&Others: Direct sales to end users, site license, project income, etc.
Business Update
Committed to World #1 Quality & Brand Value
PC Software in Create & Play
Continues #1 Position in Japan Retail
BCN Japan

in **Video Category** of Playback, Editing, Writing

in **Video Editing** Category
Committed to Continuous Innovations (1/3)

**ActionDirector**
The world’s first consumer level end-to-end VR 360 video editing software

Bundled with Samsung Gear 360 from 2016 April
Committed to Continuous Innovations (2/3)

REALISTIC MAKEUP

FAST, EASY, HIGH QUALITY

PERFECT PORTRAITS

INSPIRE & BE INSPIRED

Create Beautiful Makeup Art
Committed to Continuous Innovations (3/3)

**PresenterLink+**
- A simple, elegant desktop app that helps deliver rich multimedia presentations thru almost any medium, such as YouTube Live or video conferencing apps.

**VideoMeeting+**
- Enhance videoconferencing experience by adding a 2nd camera feed from mobile device, live annotation, freeze frame and skew correction, recording, etc.
Leading in Mobile Apps

**PhotoDirector Mobile**
- More than **15M** user downloads
- Highest user rating (**4.62** in June’16) for full-featured photo editor in Google Play store

**PowerDirector Mobile**
- More than **8M** user downloads
- Highest user rating (**4.47** in June’16) for timeline-based video editor in Google Play store
CyberLink’s Opportunities in Virtual Reality (VR)
VR Trends 2016 - 2020

• VR 360 will take off in 2016, thanks to VR headsets and 360° cameras
• Mobile phone & PC will be the major platforms to consume VR content
• VR will be one key-factor for PC-upgrade in coming 3 years
• Key to Success: CONTENT
The Diversity of VR 360 Content

Commercial Content

Movies/ MVs

Games

Education/Travel

User Generated Content
Greenlight VR User Survey:
Consumers are more interested in VR movies/videos than VR games of VR 360 Content

![Image of survey results]

PC is The Biggest Platform for VR!

Worldwide Virtual Reality Market Size By Platform (USD$ Billion)

PC owns over 40% revenue share for consumer VR

Source: VRFocus, 2016 March
Main Usages of Consumer VR 360 Solution

Content Creation
- Importing, editing and sharing video/photo from 360 cameras

Content Playback
- Viewing 360 content in VR environment

Gaming
- Playing native VR games
CyberLink’s End-to-end VR 360 Solution

**CREATE**
Capture, Create & Share Stories in 360

**PLAY**
Experience True-to-Life 360

True360™
CyberLink’s 360-Ready Video Editing Solution

PowerDirector
- 100 tracks timeline editing
- Complete editing tools
- 360/4K/3D video support

ActionDirector
- Storyboard-based editing, easy to use
- Designed for action cams
- 360/4K video support
CyberLink VR 360 Playback Solution

**Play on 2D Displays**
Mouse-navigated 360° viewing
(Ready Now)

**Play to PC VR**
Support for Oculus Rift & HTC VIVE
(Coming in 2016 Q4)

**Play/Stream on Mobile**
Support for Samsung Google Daydream/ Cardboard & Gear VR
(Coming in 2016 Q4)
CyberLink’s End-to-end VR 360 Solution

CREATE
Capture, Create & Share Stories in 360

PLAY
Experience True-to-Life 360

True360™

PowerDirector
ActionDirector
PhotoDirector

PowerDVD
Power Media Player
Summary

• Q2-2016 basic EPS after tax was NT$0.65. H1-2016 delivered NT$1.58.

• Strong product offerings in Create & Play and remain #1 in some major retail markets.

• Non-stop and leading innovations in both PC software and Mobile apps.

• Fully embrace VR opportunities and offer the best software solutions to the market in both Create & Play.
For more information about CyberLink: www.CyberLink.com

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

Thank You!