CyberLink (5203.TW)

2018-H1 Results Update

The Innovative Experience Provider for CREATE & PLAY of Digital Media

July 25, 2018
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

- 2018-H1 Financial Results
- Business & Products
- Q&A
Financial Results
(Un-audited)
Financial Highlights

2018-H1
- Revenue NT$800.8M, -9.6% Y/Y. Gross Profit NT$709.5M, -8.1% Y/Y
  - In USD, Revenue $27.1M, -6.2% Y/Y. Gross Profit $24.0M, -4.5% Y/Y
- Operating Income NT$232.2M, -26.2% Y/Y and operating margin was 29.0%
  - In USD, Operating Income $7.9M with -23.3% Y/Y
- Net Income NT$180.5M with +72.0% Y/Y, basic EPS after tax hit $2.13 with 83.6% Y/Y

2018-Q2
- Revenue NT$420.5M, -4.9% Y/Y. Gross Profit NT$371.2M, -3.5% Y/Y
  - In USD, Revenue $14.1M, -3.2% Y/Y. Gross Profit $12.4M, -1.9% Y/Y
- Operating Income NT$121.9M, -23.9% Y/Y and operating margin was 29.0%
  - In USD, Operating Income $4.1M with -22.6% Y/Y
- Net Income NT$141.2M, 105.7% Y/Y, basic EPS after tax reached $1.67 with 116.9% Y/Y

Balance Sheet
- Cash, cash equivalent & short-term investment at NT$3,026.1M as of end of 2018-H1, accounting for 58.2% of total asset. No debt.
<table>
<thead>
<tr>
<th>In NT$K</th>
<th>2017H1</th>
<th>%</th>
<th>2018-H1</th>
<th>%</th>
<th>Y/Y</th>
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</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>886,306</td>
<td>100.0%</td>
<td>800,794</td>
<td>100.0%</td>
<td>-9.6%</td>
</tr>
<tr>
<td>Cost of goods Sold</td>
<td>(114,470)</td>
<td>12.9%</td>
<td>(91,301)</td>
<td>11.4%</td>
<td>-20.2%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>771,836</td>
<td>87.1%</td>
<td>709,493</td>
<td>88.6%</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>(457,219)</td>
<td>51.6%</td>
<td>(477,260)</td>
<td>59.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>(170,099)</td>
<td>19.2%</td>
<td>(170,209)</td>
<td>21.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td>S&amp;M</td>
<td>(230,475)</td>
<td>26.0%</td>
<td>(248,999)</td>
<td>31.1%</td>
<td>8.0%</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>(56,645)</td>
<td>6.4%</td>
<td>(58,052)</td>
<td>7.2%</td>
<td>2.5%</td>
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<tr>
<td>Operating Income</td>
<td>314,617</td>
<td>35.5%</td>
<td>232,233</td>
<td>29.0%</td>
<td>-26.2%</td>
</tr>
<tr>
<td>Non Operating Income (Loss)</td>
<td>(157,682)</td>
<td>-17.8%</td>
<td>3,099</td>
<td>0.4%</td>
<td>102.0%</td>
</tr>
<tr>
<td>Foreign Exchange Income (Loss)</td>
<td>(84,589)</td>
<td>-9.5%</td>
<td>24,771</td>
<td>3.1%</td>
<td>129.3%</td>
</tr>
<tr>
<td>Investment Income (Loss)</td>
<td>(118,842)</td>
<td>-13.4%</td>
<td>(70,407)</td>
<td>-8.8%</td>
<td>40.8%</td>
</tr>
<tr>
<td>Other Income (Loss)</td>
<td>45,749</td>
<td>5.2%</td>
<td>48,735</td>
<td>6.1%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Income before Tax</td>
<td>156,935</td>
<td>17.7%</td>
<td>235,332</td>
<td>29.4%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Income after Tax</td>
<td>104,952</td>
<td>11.8%</td>
<td>180,486</td>
<td>22.5%</td>
<td>72.0%</td>
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<tr>
<td>Basic EPS after Tax (in NT$)</td>
<td>1.16</td>
<td></td>
<td>2.13</td>
<td></td>
<td>83.6%</td>
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</table>

Investment on new business did not increase much expense
# Consolidated Income Statement 2018-Q2

<table>
<thead>
<tr>
<th></th>
<th>Q1-2017</th>
<th>%</th>
<th>Q2-2017</th>
<th>%</th>
<th>Q1-2018</th>
<th>%</th>
<th>Q2-2018</th>
<th>%</th>
<th>Q/Q</th>
<th>Y/Y</th>
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<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>444,291</td>
<td>100.0%</td>
<td>442,015</td>
<td>100.0%</td>
<td>380,315</td>
<td>100.0%</td>
<td>420,479</td>
<td>100.0%</td>
<td>10.6%</td>
<td>-4.9%</td>
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<tr>
<td><strong>Cost of goods Sold</strong></td>
<td>(57,254)</td>
<td>12.9%</td>
<td>(57,216)</td>
<td>12.9%</td>
<td>(42,024)</td>
<td>11.0%</td>
<td>(49,277)</td>
<td>11.7%</td>
<td>17.3%</td>
<td>-13.9%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>387,037</td>
<td>87.1%</td>
<td>384,799</td>
<td>87.1%</td>
<td>338,291</td>
<td>89.0%</td>
<td>371,202</td>
<td>88.3%</td>
<td>9.7%</td>
<td>-3.5%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>(232,647)</td>
<td>52.4%</td>
<td>(224,572)</td>
<td>50.9%</td>
<td>(227,931)</td>
<td>60.0%</td>
<td>(249,329)</td>
<td>59.3%</td>
<td>9.4%</td>
<td>11.0%</td>
</tr>
<tr>
<td><strong>R&amp;D</strong></td>
<td>(89,183)</td>
<td>20.1%</td>
<td>(80,916)</td>
<td>18.3%</td>
<td>(87,031)</td>
<td>22.9%</td>
<td>(83,178)</td>
<td>19.8%</td>
<td>-4.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>S&amp;M</strong></td>
<td>(117,356)</td>
<td>26.4%</td>
<td>(113,119)</td>
<td>25.7%</td>
<td>(113,267)</td>
<td>29.8%</td>
<td>(135,732)</td>
<td>32.3%</td>
<td>19.8%</td>
<td>20.0%</td>
</tr>
<tr>
<td><strong>G&amp;A</strong></td>
<td>(26,108)</td>
<td>5.9%</td>
<td>(30,537)</td>
<td>6.9%</td>
<td>(27,633)</td>
<td>7.3%</td>
<td>(30,419)</td>
<td>7.2%</td>
<td>10.1%</td>
<td>-0.4%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>154,390</td>
<td>34.7%</td>
<td>160,227</td>
<td>36.2%</td>
<td>110,360</td>
<td>29.0%</td>
<td>121,873</td>
<td>29.0%</td>
<td>10.4%</td>
<td>-23.9%</td>
</tr>
<tr>
<td><strong>Non Operating Income (Loss)</strong></td>
<td>(104,465)</td>
<td>-23.5%</td>
<td>(53,217)</td>
<td>-12.0%</td>
<td>(55,343)</td>
<td>-14.6%</td>
<td>58,442</td>
<td>13.9%</td>
<td>205.6%</td>
<td>209.8%</td>
</tr>
<tr>
<td><strong>Foreign Exchange Income (Loss)</strong></td>
<td>(89,517)</td>
<td>-20.0%</td>
<td>4,928</td>
<td>1.1%</td>
<td>(35,855)</td>
<td>-9.4%</td>
<td>60,626</td>
<td>14.4%</td>
<td>269.1%</td>
<td>1130.2%</td>
</tr>
<tr>
<td><strong>Investment Income (Loss)</strong></td>
<td>(38,384)</td>
<td>-8.6%</td>
<td>(80,458)</td>
<td>-18.2%</td>
<td>(43,270)</td>
<td>-11.4%</td>
<td>(27,137)</td>
<td>-6.5%</td>
<td>37.3%</td>
<td>66.3%</td>
</tr>
<tr>
<td><strong>Other Income (Loss)</strong></td>
<td>23,436</td>
<td>5.3%</td>
<td>22,313</td>
<td>5.1%</td>
<td>23,782</td>
<td>6.3%</td>
<td>24,953</td>
<td>6.0%</td>
<td>4.9%</td>
<td>11.8%</td>
</tr>
<tr>
<td><strong>Income before Tax</strong></td>
<td>49,925</td>
<td>11.2%</td>
<td>107,010</td>
<td>24.2%</td>
<td>55,017</td>
<td>14.5%</td>
<td>180,315</td>
<td>42.9%</td>
<td>227.7%</td>
<td>68.5%</td>
</tr>
<tr>
<td><strong>Income after Tax</strong></td>
<td>36,293</td>
<td>8.2%</td>
<td>68,659</td>
<td>15.5%</td>
<td>39,257</td>
<td>10.3%</td>
<td>141,229</td>
<td>33.6%</td>
<td>259.8%</td>
<td>105.7%</td>
</tr>
<tr>
<td><strong>Basic EPS after Tax (in NT$)</strong></td>
<td>0.39</td>
<td></td>
<td>0.77</td>
<td></td>
<td>0.46</td>
<td></td>
<td>1.67</td>
<td></td>
<td>263.0%</td>
<td>116.9%</td>
</tr>
</tbody>
</table>
Gross Profit Breakdown

healthier combination to be less dependent on ODD-related products & B2B channel

Create vs. Play

- **Create**: Products of Creativity, media management, etc.
- **Play**: Products of playback, media server/client, codec pack, etc.

B2B vs. B2C

- **B2B**: Conventional hardware bundling.
- **B2C&Others**: Direct sales to end users, site license, etc.
Business & Products
Business & Products

- Transformation of existing business model
  - Subscription Model on PC software (has executed on Android mobile apps successfully)
  - Expand customer group to include Prosumer/Professional users

- Success Stories on U Webinar/Meeting/Messenger (Work)

- Investment in Artificial Intelligence (AI)
  - Face-based AI Business Opportunities
Business & Products

◆ Transformation of existing business model
  ■ Subscription Model on PC software (has executed on Android mobile apps successfully)
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CyberLink Product Offering: CREATE, PLAY, WORK

◆ CREATE (Director Family)
  ■ Video Editing: PowerDirector & ActionDirector
  ■ Photo Editing: PhotoDirector & MakeupDirector
  ■ Audio Editing: AudioDirector
  ■ Color Grading: ColorDirector
    (Annual new version will be released in September)

◆ PLAY
  ■ PowerDVD

◆ WORK
  ■ U-Meetings, U-Webinars, U-Messenger
    ● for business collaboration & education webinars
PowerDirector 17 & Director Suite will Go **Pro & Subscription** in September
Continued Transformation on Existing Business Model

- Mobile Apps on Android has changed to Subscription very successfully.
- Will heavily promote Subscription-model on PC software starting from Q3.
Revenue first dipped, then a month later (wk18) the monthly subscribers start contributing recurring revenue.

From wk26, quarterly subscribers also start contributing recurring revenue.

- Starts seeing record breaking revenue.

By March 2019, annual subscribers will add recurring revenue on top.

We like to re-produce this success on our PC software.
Business & Products

- Transformation of existing business model
  - Subscription Model on PC software (has executed on Android mobile apps successfully)
  - Expand customer group to include Prosumer/Professional users

- Success Stories on U Webinar/Meeting/Messenger (Work)

- Investment in Artificial Intelligence (AI)
  - Face-based AI Business Opportunities
Success Stories on U Webinar/Meeting/Messenger

- More than 60 corporates or organizations are already using U solution
- Market reaction is very positive on the Ease-of-Use & Video Quality of U solution
Business & Products

◆ Transformation of existing business model
  ■ Subscription Model on PC software (has executed on Android mobile apps successfully)
  ■ Expand customer group to include Prosumer/Professional users

◆ Success Stories on U Webinar/Meeting/Messenger (Work)

◆ Investment in Artificial Intelligence (AI)
  ■ Face-based AI Business Opportunities
Potential AI Projects based on Facial Recognition

- Robot (2)
- Access Control & HR attendance system (3)
- Smart Retailer (3)
- Smart Banking (1)
New Business on AI

- **CL AI Day** on 9/5 (tentative date; 7 solutions on 4 different Operating Systems)
- Business model: Engine SDK licensing.
- AI will also be applied in CyberLink products as differentiating features
  - PowerDVD, PowerDirector, PhotoDirector, Power Media Player, PerfectCam, SmartRetail

<table>
<thead>
<tr>
<th></th>
<th>AI Engine</th>
<th>OS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Facial Recognition (FaceME)</td>
<td>Windows, Linux, Android, iOS</td>
</tr>
<tr>
<td>2</td>
<td>Facial Attribute (Emotion/Age/Gender) Detection</td>
<td>Windows, Linux, Android, iOS</td>
</tr>
<tr>
<td>3</td>
<td>Facial Landmark (feature points) Detection</td>
<td>Windows, Android, iOS</td>
</tr>
<tr>
<td>4</td>
<td>Smart Retailer Solution</td>
<td>Windows</td>
</tr>
<tr>
<td>5</td>
<td>Video Background Blur</td>
<td>Windows</td>
</tr>
<tr>
<td>6</td>
<td>AI Style Transfer on Video</td>
<td>Windows</td>
</tr>
<tr>
<td>7</td>
<td>AI Style Transfer on Photo</td>
<td>Windows</td>
</tr>
</tbody>
</table>
Summary

- **2018-H1 Net income reached NT$180.5M, basic EPS after tax at NT$2.13**
  - Investment loss from Perfect Corp has narrowed significantly in 2018-Q2

- **Transformation of existing business model continues**
  - Sales Channel – B2C percentage on gross profit has reached more than 70%
  - Subscription Model- has executed on Android apps successfully, will expand to PC software

- **Persistent investments in New Business**
  - U Webinar/Meeting/Messenger
  - AI technology & business – AI facial recognition, Age/Gender/Emotion detection, etc.
For more information about CyberLink:
www.CyberLink.com

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

Thank You!