CyberLink (5203.TW)

2020 Q1 Investor Conference

The Innovative Solution Provider for CREATE, PLAY & CONNECT of Digital Media, and Facial Recognition & AI.

April 29, 2020

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

- 2020 Q1 Financial Results
- Business Update

Key Points

- 2020 Q1 revenue +**9.0**% YoY; operating profit -**20.2**% YoY; net profit +**30.6**% YoY; EPS NT$**0.91**
  - Investment income from Perfect Corp. is around NT$ 17.5M
- Revenue of 3 growing segments +**43**% YoY in Q1
- FaceMe® continues to have outstanding NIST result with global ranking **18th** & **9th** if excluding vendors from China
  - Ranked **6th** if excluding vendors from China & Russia
  - New business development slowed down due to global lockdown & tradeshows cancelation
- For COVID-19 prevention, not only the surging demand for web conference & distance education but the rising importance of cyber security increased the brand awareness of **U**
- Since global lockdown due to COVID-19 from March, we have seen significant growth of sales from web store & mobile app which will contribute to Q2 performance.

Financial Results
(Un-audited)

2020 Q1 Financial Highlights

IS

- Revenue NT$**357**M, +**9.0**% YoY
- Net profit NT$**77**M, +**30.6**% YoY
- EPS NT$**0.91**, +**30.0**% YoY

BS

Cash, cash equivalent & short-term investment at NT$**2,831**M as of end of Q1, accounting for **51.4**% of total asset

Dividend

The distribution of NT$**3.60** cash dividend was approved by the BOD meeting in March and wait for AGM's approval in June

2020 Q1 Consolidated IS

NT$ (K)	2020 Q1		2019 Q4		QoQ	2019 Q1		YoY
Revenue	**356,754**	100.0%	401,435	100.0%	-11.1%	327,333	100.0%	9.0%
COGS	**-42,015**	-11.8%	-53,715	-13.4%	-21.8%	-33,592	-10.3%	25.1%
Gross Profit	**314,739**	88.2%	347,720	86.6%	-9.5%	293,741	89.7%	7.1%
R&D	**-95,414**	-26.7%	-105,206	-26.2%	-9.3%	-88,190	-27.0%	8.2%
S&M	**-148,347**	-41.6%	-140,532	-35.0%	5.6%	-125,479	-38.3%	18.2%
G&A	**-27,576**	-7.7%	-30,832	-7.7%	-10.6%	-25,660	-7.8%	7.5%
Operating Expense	**-271,337**	-76.0%	-276,570	-68.9%	-1.9%	-239,329	-73.1%	13.4%
Operating Income	**43,402**	12.2%	71,150	17.7%	-39.0%	54,412	16.6%	-20.2%
FX Gain (Loss)	**6,667**	1.9%	-29,984	-7.5%	122.2%	4,304	1.3%	54.9%
Investment Gain (Loss)	**17,488**	4.9%	34,807	8.7%	-49.8%	-24,888	-7.6%	170.3%
Other Income (Loss)	**28,043**	7.8%	23,778	5.9%	17.9%	44,043	13.5%	-36.3%
Non-operating Income (Loss)	**52,198**	14.6%	28,601	7.1%	82.5%	23,459	7.2%	122.5%
PBT	**95,600**	26.8%	99,751	24.8%	-4.2%	77,871	23.8%	22.8%
PAT	**76,787**	21.5%	92,143	23.0%	-16.7%	58,783	18.0%	30.6%
EPS (NT$)	**0.91**		1.09		-16.5%	0.70		30.0%

Business & Product Update

2020 Q1 Product Mix

+13% YoY in revenue which is contributed by steady growth of subscribers and deferred revenue from previous year

29%
PC-Create (B2C)

8%
New Biz

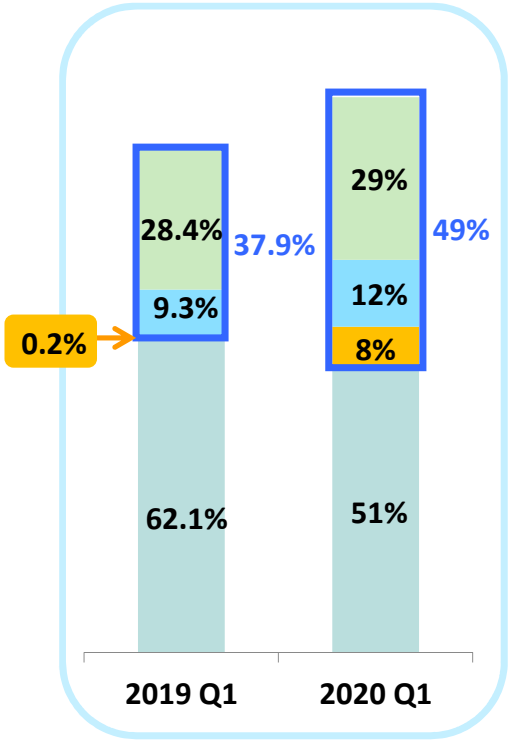
Limited revenue in Q1'19 & significant revenue growth in Q1'20 mainly contributed by projects from previous year

Robust growth in revenue +43% YoY

12%
Mobile APP

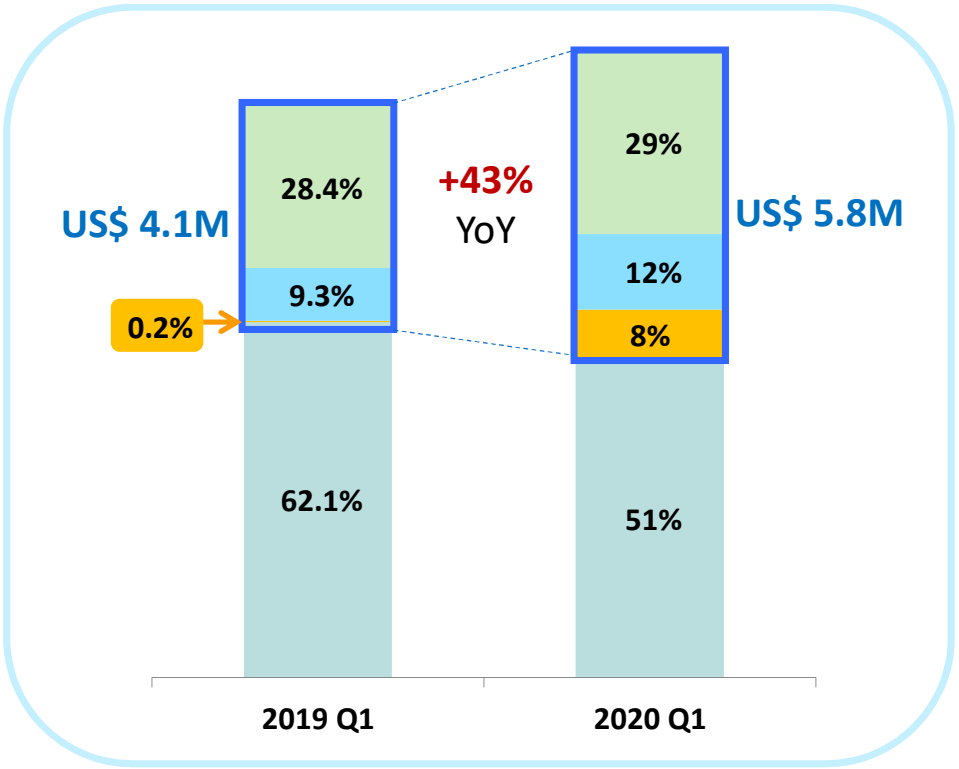
51%
PC-OEM, ODD & Others

Revenue -10% YoY which was attributed to OEM bundle & PowerDVD business slowdown



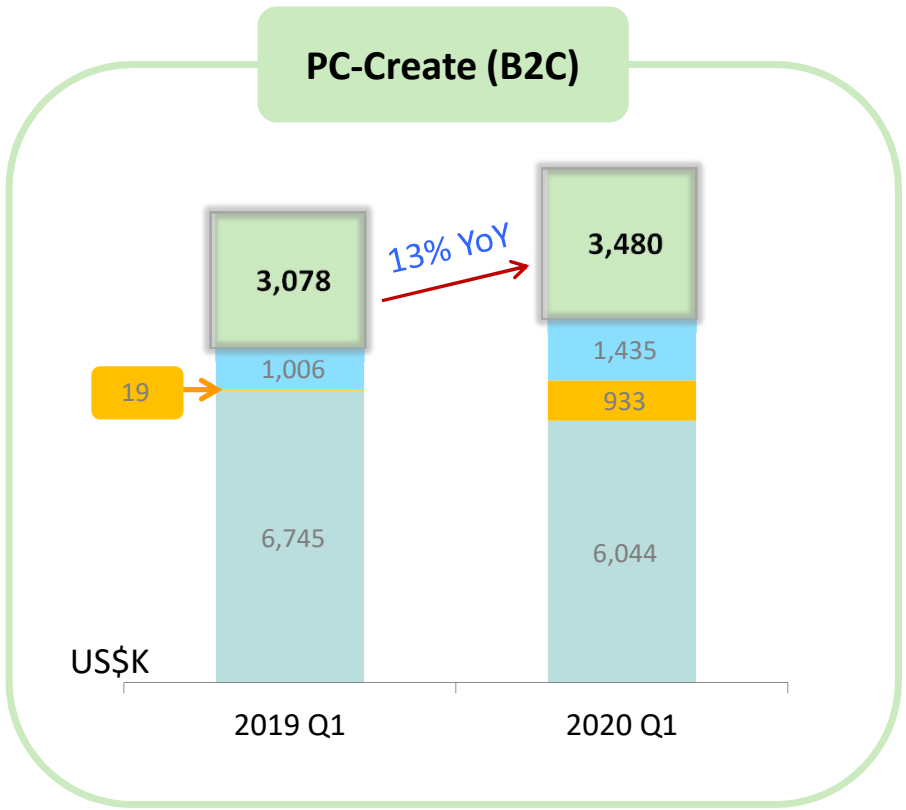
- 2020 Q1 topline growth is 9% YoY & revenue of 3 growing segments up **43**% YoY

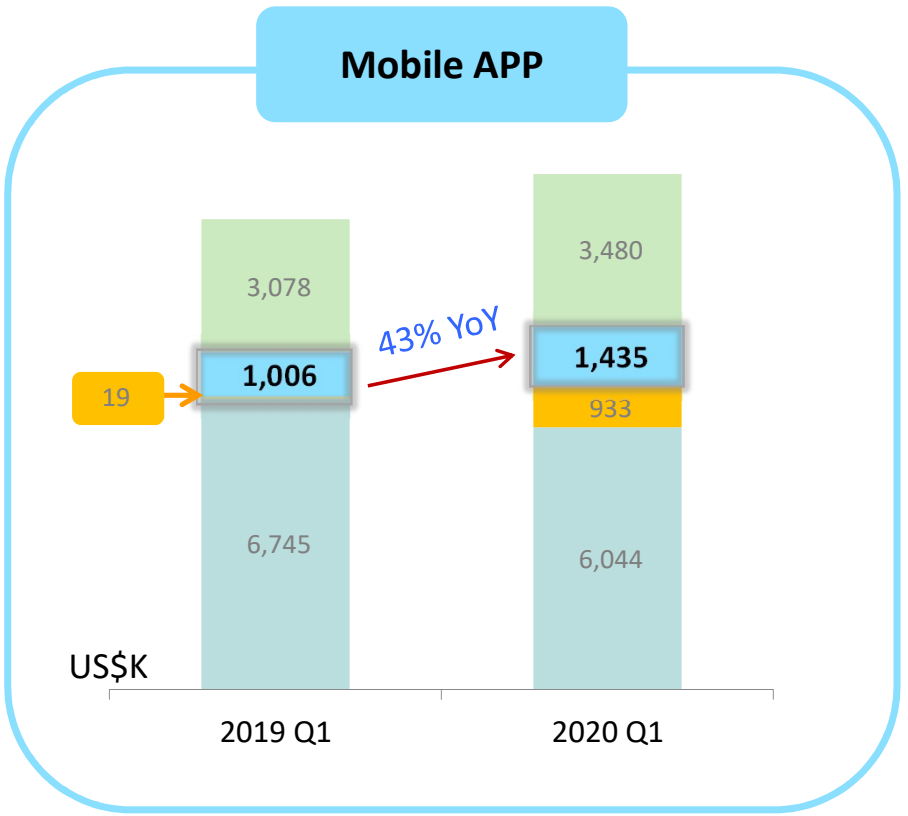
Product Mix YoY Trend



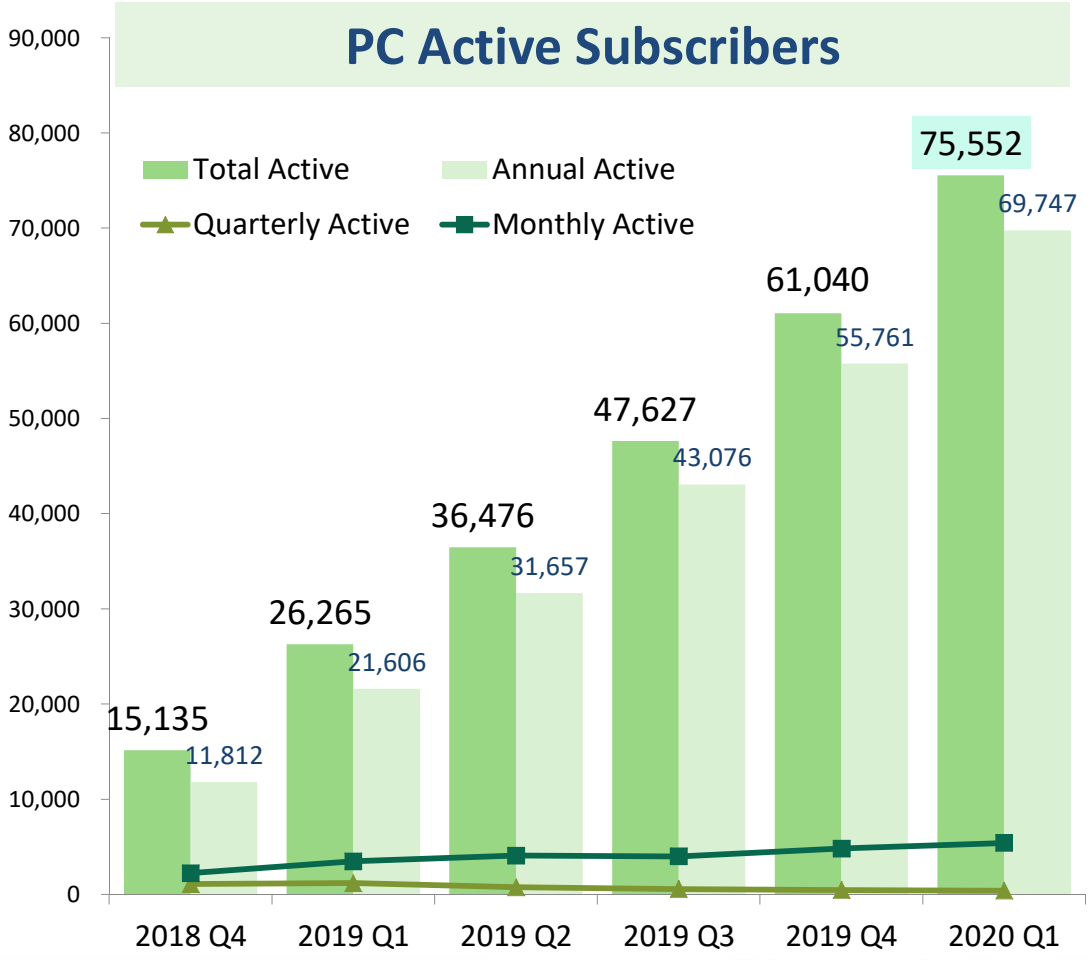
- 2020 Q1 topline growth is 9% YoY
- Revenue of 3 growing segments maintain strong growth pace

Group 1 & 2: CREATE PC & App Revenue Trend





Group 1: PC-CREATE(B2C) Subscription Continue to Grow



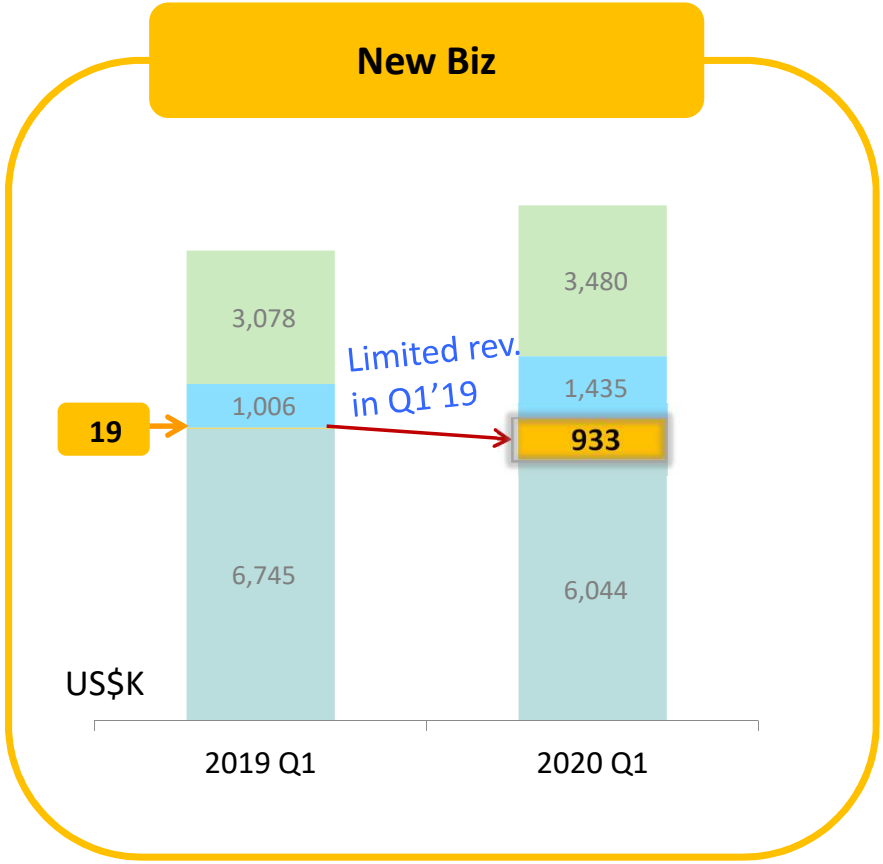
- Number of subscribers increased by 14,512 in 2020 Q1
- Annual subscriber accounts for 92% of total subscribers in 2020 Q1, up from 82% in 2019 Q1
- Current annual retention rate is over 60% as expected

Impacts from COVID-19 Pandemic since March

- Revenue from web store increased significantly
  - This growth will contribute to Q2 performance
- Revenue from mobile app increased significantly
  - This growth will contribute to Q2 performance
- FaceMe®: New business development slowed down due to tradeshows cancelation
  - Limited impact because of the expectation on revenue from FaceMe was not set high
- U: Surging demand for web conference & distance education increased the brand awareness in TW
  - Will start generating revenue from this year
- PC OEM bundle: So far, no negative impact because of new demand for PC triggered by work from home.

New Biz_FaceMe®

- FaceMe® ranked 18th globally and ranked 6th if excluding China & Russia vendors on NIST FRVT 1:1 Leaderboard* released in March. CyberLink is the only TW company listed in the global top 20.
- Due to global lockdown, tradeshows have been canceled which slowed down new business development. We are now doing more online marketing programs to acquire new leads.
- Positive on long-term market demand for facial recognition technology



*Source: https://pages.nist.gov/frvt/html/frvt11.html

New Biz_U

- For COVID-19 prevention, the demand for web conference and distance education surged. While cyber security is important, Taiwan government & education authority recommended to use solutions including “U Meeting”. This has increased the brand awareness of U in Taiwan.

Fulfill CSR and Contribute to TW Community for COVID-19 Prevention

Program for All Colleges
From 2020/2/17

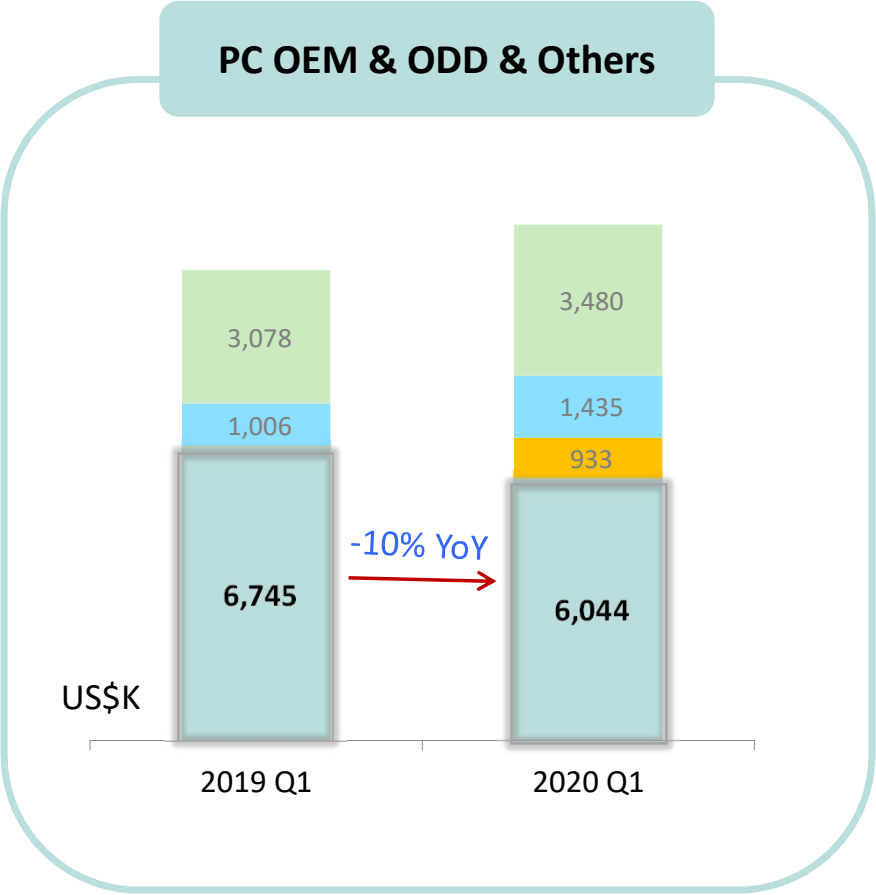
Until 31st July, 2020, we are offering free service worth up to NT$1M to every college in TW for distance education via U Meeting & U Webinar. So far, there are dozens of colleges in TW applied this program.

Program for All Users
From 2020/2/20

Extend to 31st July
Until ~~31st May~~, 2020, we are offering upgraded free version in U Meeting.

Original: Up to 25 participants & Max. 30 mins per meeting → **Up to 25 participants & Max. 60 mins per meeting.**

PC-OEM & ODD & Others



- Revenue -10% YoY caused by OEM bundle & PowerDVD business slowdown
- PowerDVD 20 was launched in mid of April with cloud technology for an unrivaled media viewing and sharing experience with friends & family across devices. The web sales performance is so far quite good.
  - The subscription version is available as well. Now around 20% new users adopt subscription model.

2020 Key Focus

PC-Create (B2C)

- Targeting SMB as new segment, business version will be released in Q3.
- PowerDirector Mac version will be released by the end of 2020 and starts contributing revenue in 2021.
- Expect to see significant positive YoY growth in 2020.

Mobile APP

- Targeting SMB as new segment, business APP will be released in Q3.
- PowerDirector iOS version will contribute in 2020 revenue.
- Expect the momentum of Mobile APP will remain strong.

New Biz

- Partnership with leading IoT companies to speed up the global penetration in AIoT industries. We expect to see some revenue contribution in 2020.
- Continuously strengthen "U" to offer better user experiences on web conference & distance learning.

Expense

- Keep investing more in R&D for technology & product development.
- To accelerate market share increase in PC-Create (B2C) and Mobile APP, sales & marketing expense is expected to increase in 2020.

For more information about CyberLink:
www.CyberLink.com

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

Thank You!