

# ALi Corporation (3041 TT)

## Company Profile

Mar 18-20, 2014



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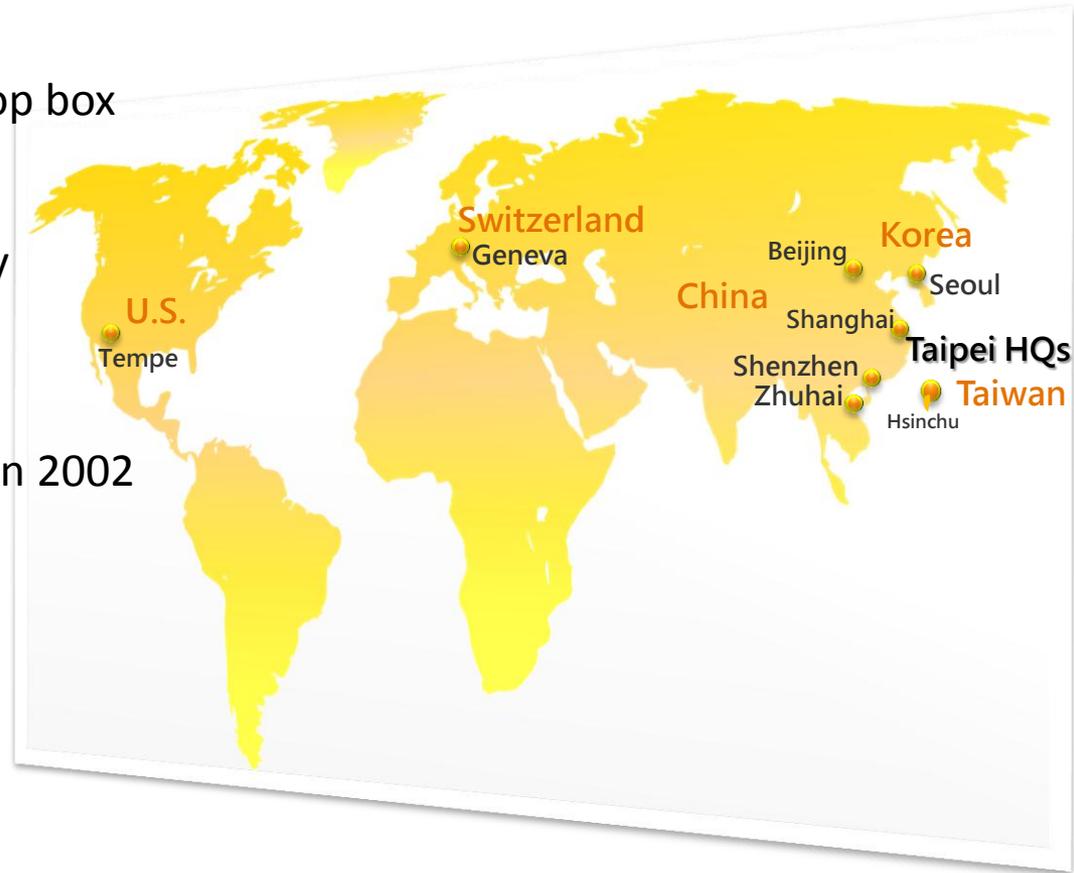
# Agenda

- **Company Overview**
- **Market Insights**
- **Financial Highlights**

# Company Overview

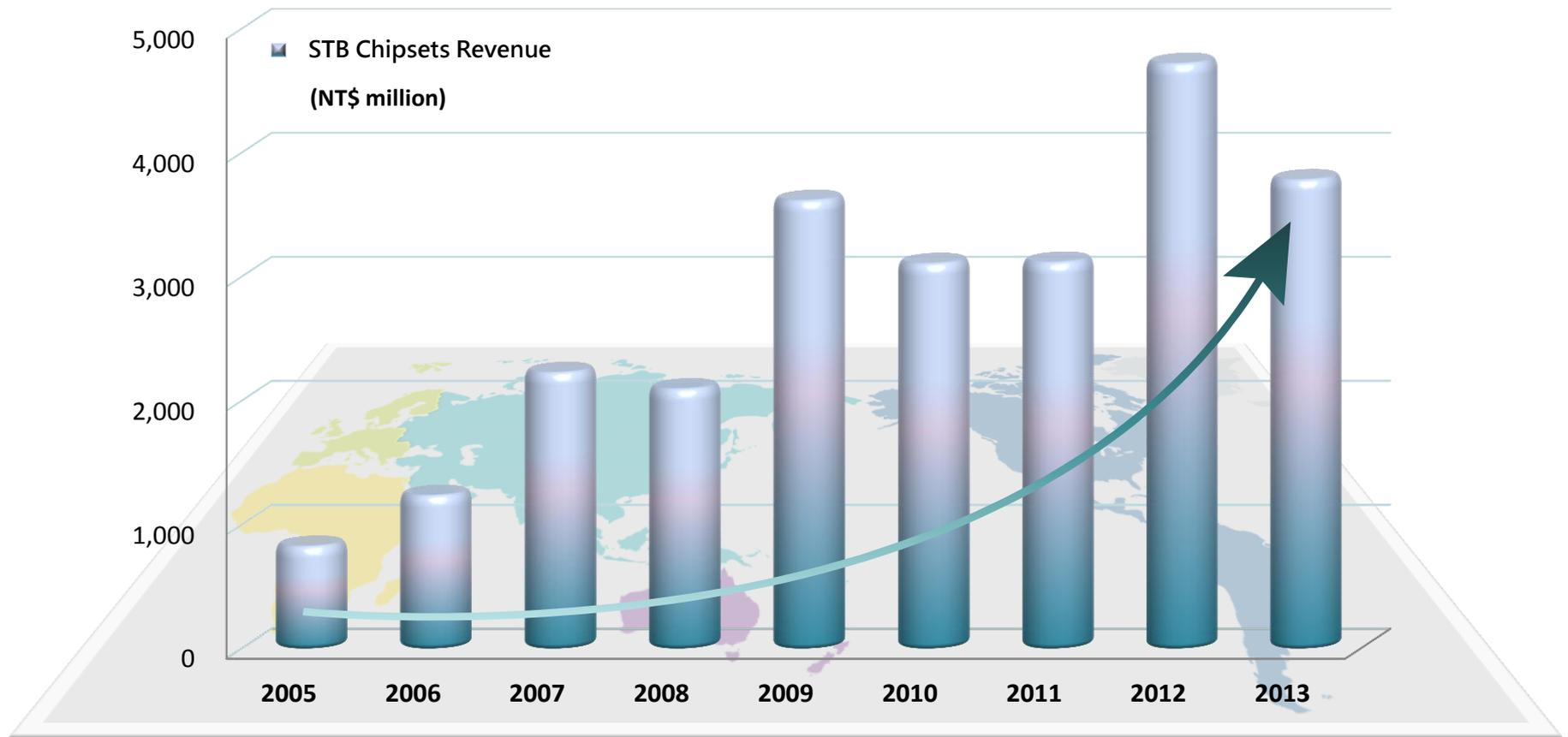
# Overview

- One of the global leaders in set-top box (“STB”) system-on-chips (“SoC”)
- A fabless semiconductor company
- Founded in 1993
- Listed on Taiwan Stock Exchange in 2002 (Ticker: 3041)
- ~670 employees worldwide
- Headquartered in Taipei, Taiwan



# 2005-2013: Proven track records in STB sector

- Started to invest in the STB semiconductor business in '04
- Registered STB revenues of NT\$3.8 billion in '13 ('05-'13 CAGR: 21%)



Source: Company data

# 2014: Invest in the operator & IP STB and maintain leading retail position

## ALi's near-term, mid-term and long-term growth drivers:

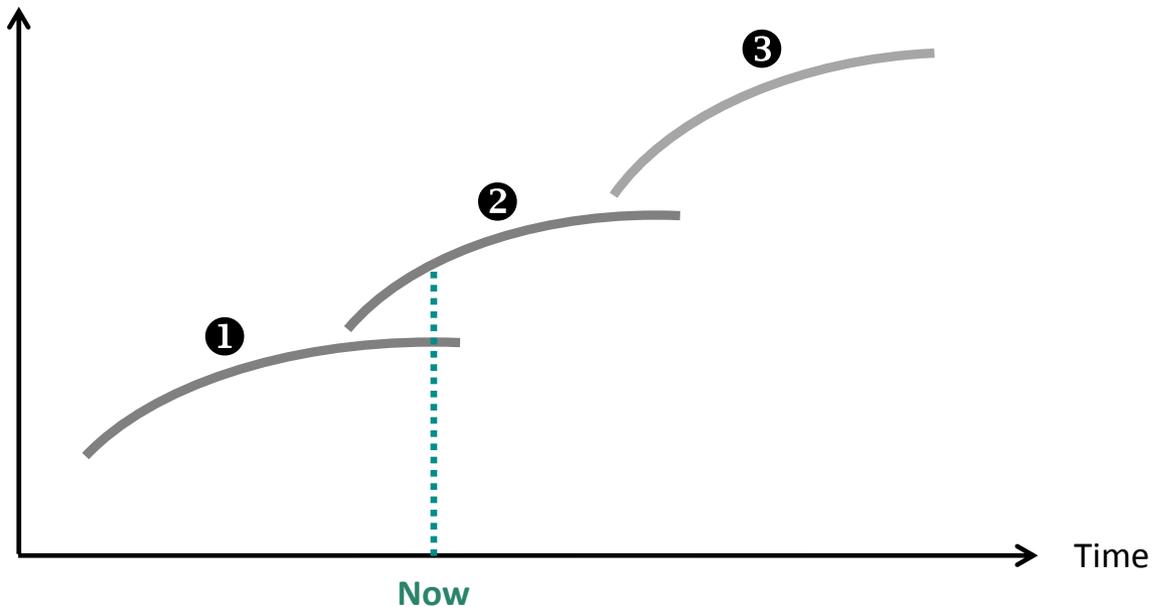
- ① Solutions moving from standard definition to high definition
- ② More exposure to the Pay-TV operator segment
- ③ Higher growth in the IP/hybrid/multiscreen segment

*(Industry wide)*

*(Company specific)*

*(Industry wide)*

Value-added / Technology Complexity



# Hundreds of operators worldwide adopt ALi's solutions



DVB-S/S2

DVB-T/T2

DVB-C

# Market Insights

# Set-top box evolves from a single-purpose device to a multi-function home gateway



- Demodulates and decodes broadcasting video streams for different regulatory, geographical, and/or business needs

- Decrypts broadcast content from operators for authenticated subscribers
- Delivers pay-per-view and interactivity

- Multi-screen delivery of converged broadcast and broadband content in a secure, IP environment at consumers' premises

# Free-to-Air (FTA) Model: One-off payment & watch free TV forever

- Viewers purchase STB at 3C retail stores or online shops
- STB receives, demodulates and decodes unencrypted broadcasting or Internet signals



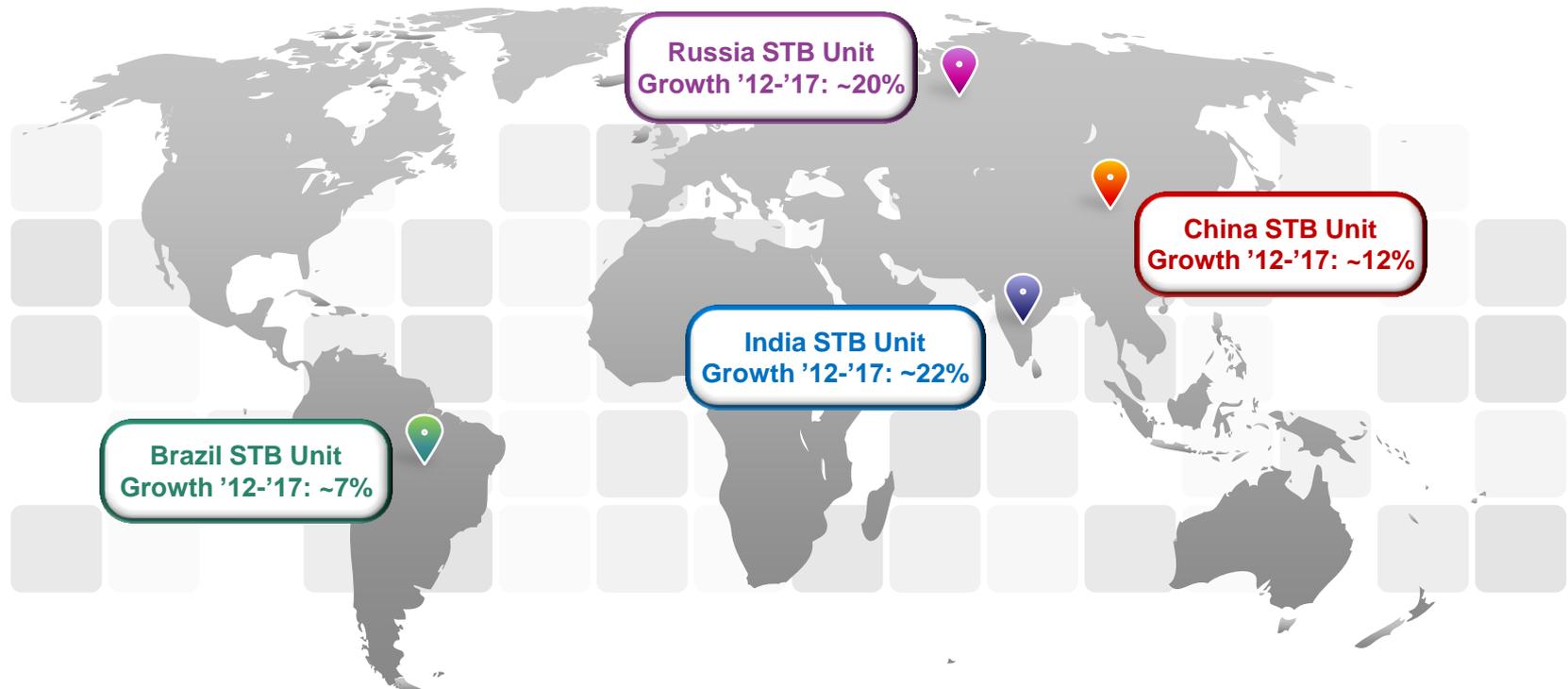
# Pay-TV Model: Subscribe to watch premium TV

- Viewers subscribe from local operator and operators offers installation service
- The transmission signals are encrypted and viewers need a set-top box to receive and decrypt the signal



# Emerging markets turn up the volume

- Volume growth for the STB market will be driven by demand for:
  - Cable digitization in India and China
  - Terrestrial TV digitization in Central/Eastern Europe and Latin America
- Emerging digital TV markets in China, India, Latin America and Russia are forecast to account for 45% of the total set-top box shipments between 2011-2015

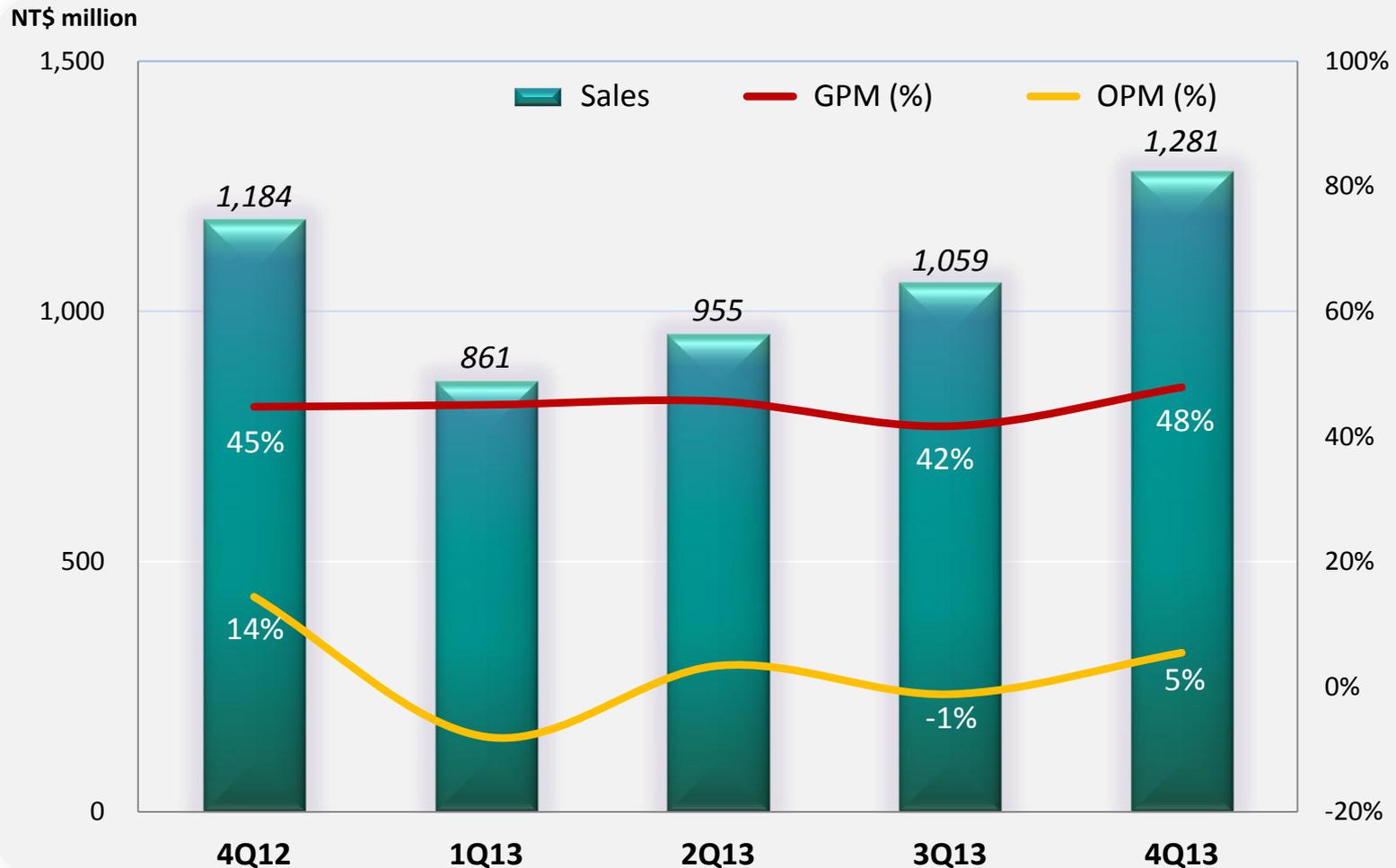


Sources: ABI Research (2012/6)

# Financial Highlights

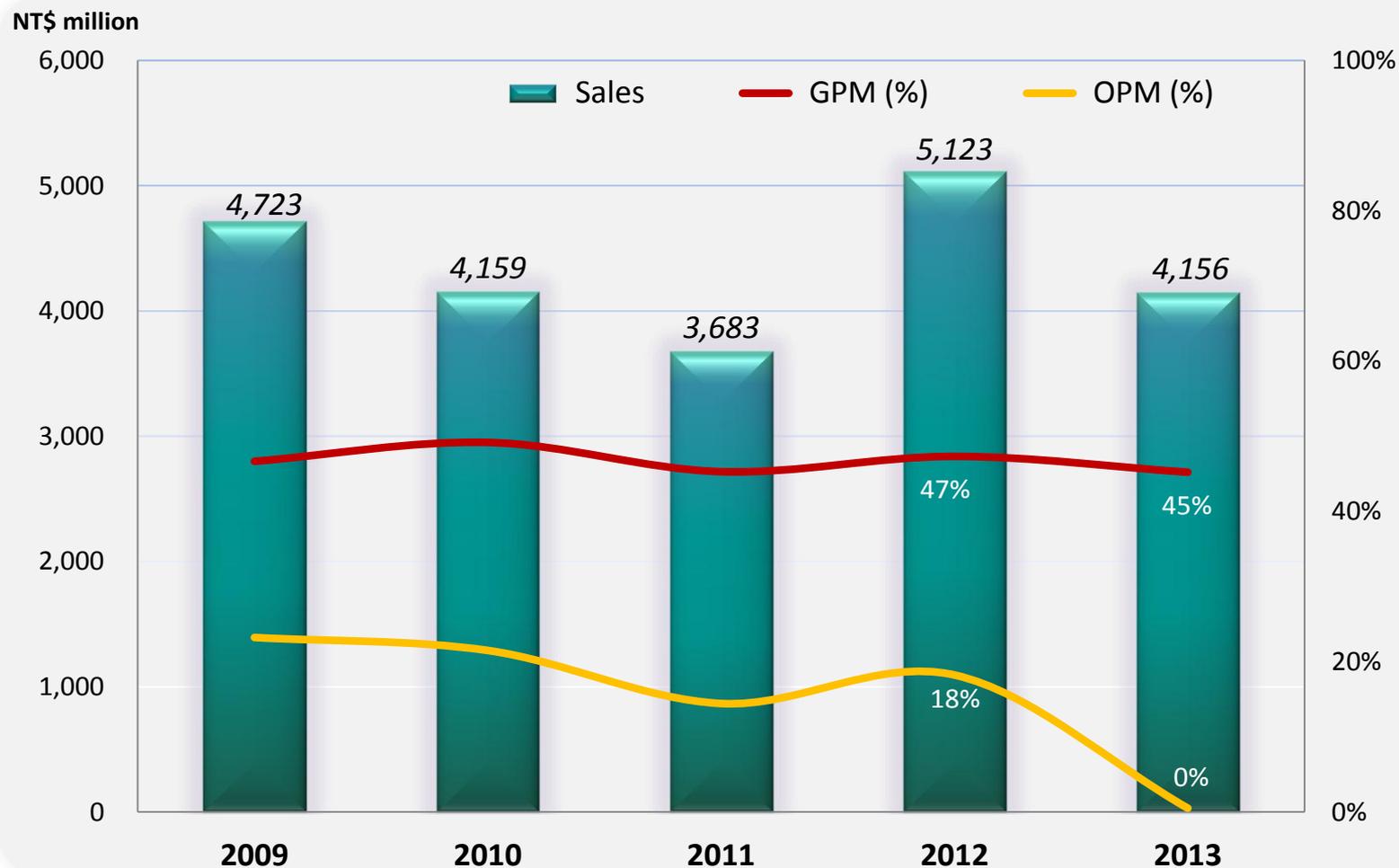
# 4Q13 Consolidated Quarterly Results

- 4Q13 revenue reached NT\$1,281 million, QoQ +21%, YoY +8%
- Gross profit margin was 48%
- Operating profit margin was 5%



# 2013 Consolidated Annual Results

- 2013 annual revenue reached NT\$4,156 million, YoY-19%
- Gross profit margin was 45%
- Operating profit margin was 0%



# 4Q13 Consolidated Income Statement

(Amounts in thousand New Taiwan Dollars)

|  | 4Q13      |      | 3Q13      |      | 4Q12      |      | QoQ  | YoY  |
|--|-----------|------|-----------|------|-----------|------|------|------|
| <b>Net sales</b>                               | 1,280,595 | 100% | 1,058,707 | 100% | 1,184,085 | 100% | 21%  | 8%   |
| Cost of goods sold                             | (667,492) |      | (617,622) |      | (654,098) |      | 8%   | 2%   |
| <b>Gross profits</b>                           | 613,103   | 48%  | 441,085   | 42%  | 529,987   | 45%  | 39%  | 16%  |
| Operating expenses:                            |           |      |           |      |           |      |      |      |
| Selling expenses                               | (84,610)  |      | (62,863)  |      | (72,941)  |      | 35%  | 16%  |
| Administrative expenses                        | (125,653) |      | (100,274) |      | (65,801)  |      | 25%  | 91%  |
| Research and development expenses              | (333,193) |      | (290,603) |      | (220,994) |      | 15%  | 51%  |
| Total operating expenses                       | (543,456) | -42% | (453,740) | -43% | (359,736) | -30% | 20%  | 51%  |
| <b>Operating income</b>                        | 69,647    |      | (12,655)  |      | 170,251   |      | N/a  | -59% |
| Non-operating income and gain (expense & loss) | 26,054    |      | 8,273     |      | (23,835)  |      | 215% | N/a  |
| <b>Income before income tax</b>                | 95,701    |      | (4,382)   |      | 146,416   |      | N/a  | -35% |
| Income tax(expense)benefit                     | (29,406)  |      | (39,619)  |      | (45,897)  |      | -26% | -36% |
| <b>Net income</b>                              | 66,295    | 5%   | (44,001)  | -4%  | 100,519   | 8%   | N/a  | -34% |
| Earnings Per Share (in New Taiwan Dollars)     | 0.23      |      | (0.15)    |      | 0.34      |      |      |      |

# 4Q13 Consolidated Balance Sheet

(Amounts in thousand New Taiwan Dollars except Key Indices)

## Selected Items from Balance Sheet

|                                   | Dec 31, 2013     | Sep 30, 2013     | Dec 31, 2012     |
|-----------------------------------|------------------|------------------|------------------|
| Cash & financial asset current    | 4,716,636        | 4,438,280        | 3,614,991        |
| Notes and accounts receivable     | 593,461          | 494,568          | 603,040          |
| Inventory (net)                   | 386,480          | 458,841          | 503,524          |
| Other current asset               | 109,552          | 55,585           | 70,121           |
| <b>Total current asset</b>        | <b>5,806,129</b> | <b>5,447,274</b> | <b>4,791,676</b> |
| Funds and Investments             | 58,248           | 59,202           | 47,939           |
| Net PP&E                          | 702,819          | 700,554          | 1,510,778        |
| Intangible assets                 | 555,299          | 574,236          | 542,855          |
| Other assets                      | 116,283          | 152,119          | 165,327          |
| <b>Total assets</b>               | <b>7,238,778</b> | <b>6,933,385</b> | <b>7,058,575</b> |
| Notes & accounts payable          | 492,527          | 456,522          | 643,566          |
| Other current liabilities         | 628,245          | 439,030          | 667,797          |
| Other liabilities                 | 23,331           | 38,217           | 34,695           |
| <b>Total liabilities</b>          | <b>1,144,103</b> | <b>933,769</b>   | <b>1,346,058</b> |
| <b>Total shareholders' equity</b> | <b>6,094,675</b> | <b>5,999,616</b> | <b>5,712,517</b> |
| <b>Key Indices</b>                |                  |                  |                  |
| A/R Turnover Days (net)           | 39               | 37               | 49               |
| Inventory Turnover Days (net)     | 58               | 75               | 62               |
| Current Ratio                     | 5.2              | 6.1              | 3.7              |

# 2013 Consolidated Income Statement

(Amounts in thousand New Taiwan Dollars)

|   | 2013        |      | 2012        |      | YoY   |
|---|-------------|------|-------------|------|-------|
| <b>Net sales</b>                                  | 4,155,584   | 100% | 5,122,588   | 100% | -19%  |
| Cost of goods sold                                | (2,277,375) |      | (2,699,563) |      | -16%  |
| <b>Gross profits</b>                              | 1,878,209   | 45%  | 2,423,025   | 47%  | -22%  |
| Operating expenses                                |             |      |             |      |       |
| Selling expenses                                  | (258,312)   |      | (299,442)   |      | -14%  |
| Administrative expenses                           | (403,229)   |      | (269,286)   |      | 50%   |
| Research and development expenses                 | (1,196,463) |      | (921,277)   |      | 30%   |
| <b>Total operating expenses</b>                   | (1,858,004) | -45% | (1,490,005) | -29% | 25%   |
| Operating income                                  | 20,205      |      | 933,020     |      | -98%  |
| Non-operating income and gain(expense & loss)     | 983,449     |      | 44,037      |      | 2133% |
| Income before income tax                          | 1,003,654   |      | 977,057     |      | 3%    |
| Income tax(expense)benefit                        | (112,866)   |      | (209,840)   |      | -46%  |
| <b>Net income</b>                                 | 890,788     | 21%  | 767,217     | 15%  | 16%   |
| <b>Earnings Per Share</b> (in New Taiwan Dollars) | 3.05        |      | 2.62        |      |       |

(The weighted average number of common shares outstanding was 292,526,071 for the year ended Dec 31, 2013)

# 2013 Consolidated Balance Sheet

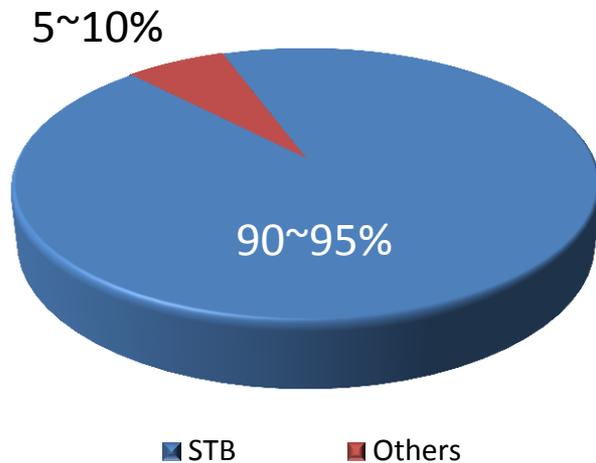
(Amounts in thousand New Taiwan Dollars except Key Indices)

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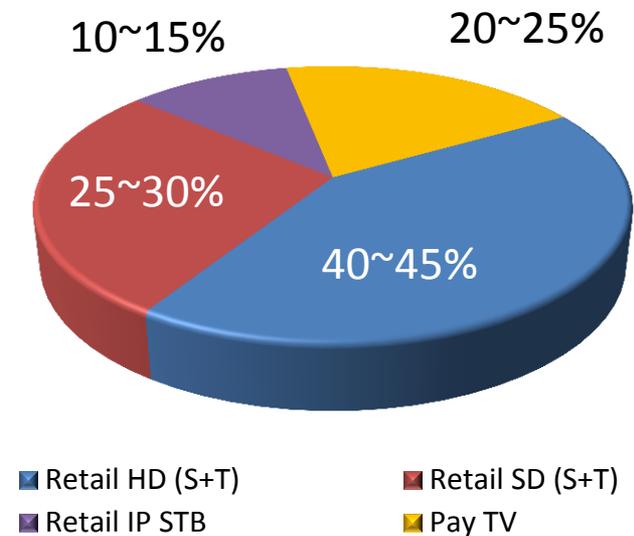
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| <b>Total assets</b>               | <b>7,238,778</b> | <b>7,058,575</b> |
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| <b>Total liabilities</b>          | <b>1,144,103</b> | <b>1,346,058</b> |
| <b>Total shareholders' equity</b> | <b>6,094,675</b> | <b>5,712,517</b> |
| <b>Key Indices</b>                |                  |                  |
| A/R Turnover Days (net)           | 53               | 41               |
| Inventory Turnover Days (net)     | 71               | 46               |
| Current Ratio                     | 5.2              | 3.7              |

# 4Q13 Revenue Breakdown

STB vs. Others

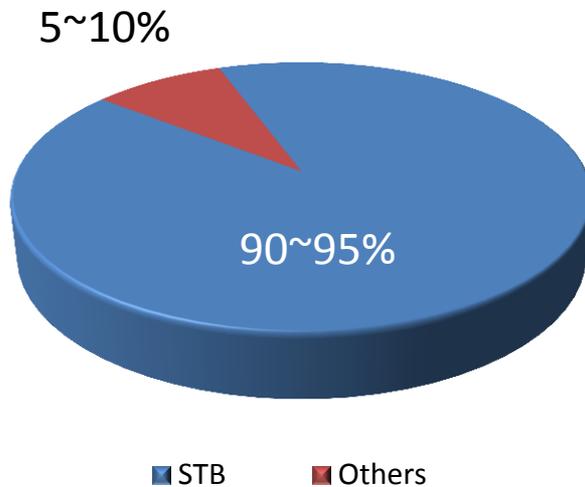


STB by End Market

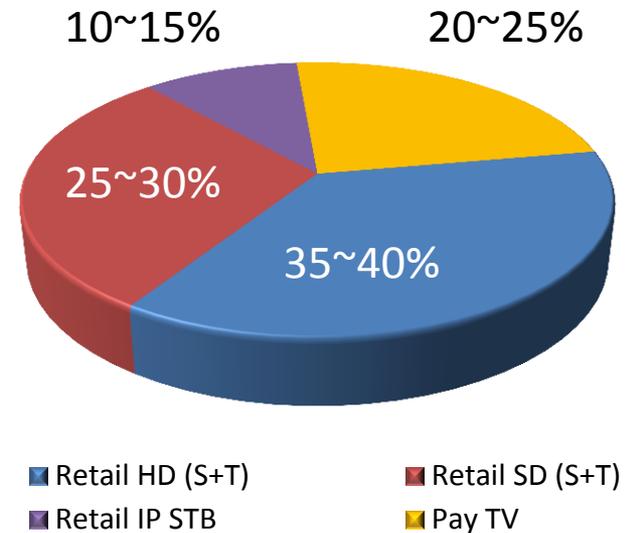


# 2013 Revenue Breakdown

## STB vs. Others



## STB by End Market



**Thank you**