

# ***KYE Review and Perspective 2011 Q1***

**Kevin Kao / Finance VP**



**Mar. 3, 2011**

# About Us



- Headquarter : Taipei, Taiwan, R.O.C.
- Founded : November 3, 1983
- Capital (as of Dec. 31, 2010) : NT\$2,869 Million
- Major shareholder (as of Feb. 28, 2010): Jwo & Chen's Family(25%-30%)  
QFII(10.7%); Employee(4%-5%)
- 2010 Revenue : NT\$11,036 Bn (yoy +8.5%), US\$349.8Mn (+15.2%)
- Employees : 1,930 (Taipei:360, Marketing subsidiary:70, Factory:1,500)
- Core technology
  - Input Device : Mice, K/B, Tablet (Digitizer)
  - Image: DV, Web Cam,  
Cam Module (NB, Smartphone),  
Laser Bar Code Printer
  - Acoustic products: Speakers, Headsets
- Selling Subsidiaries : US, Germany, UK, HK, China
- Marketing Rep.
  - America: Brazil, Argentina, Mexico, Chile, Colombia
  - EMEA: Poland, Ukraine, Czech, Iran, Turkey , Hungary,  
Kazakhstan
  - Asia-Pacific: India, China, Vietnam, Indonesia
- PR Consultant
  - America: U.S.
  - EMEA: Italy, Poland, Czech, Kazakhstan, Turkey, Iran  
Germany, France, UK
  - Asia-Pacific: Vietnam, India, Indonesia
- Factory : Dong Guan Guang Dong , China



# Key Financials-Consolidated P/L

## Preliminary unaudited for 2010



in millions of NT\$

Item	2010Q4		YOY%	QOQ%	2010		2009		YOY%
	Value	%			Value	%	Value	%	
Net Sales	2,588	100%	(15.1%)	(8.7%)	11,036	100%	10,183	100%	8.5%
COGS	2,163	83.6%	(13.8%)	(8.9%)	9,055	82.1%	8,221	80.7%	10.3%
Gross Profit	425	16.4%	(21.1%)	(7.5%)	1,981	17.9%	1,961	19.3%	1.0%
Operating Expense	334	12.9%	(2.9%)	(4.2%)	1,465	13.3%	1,337	13.1%	9.6%
Operating Income	91	3.5%	(53.1%)	(18.0%)	516	4.7%	624	6.1%	(17.4%)
Non-Operating	(36)	(1.4%)	(596%)	(203%)	(1)	0.0%	120	1.1%	(101%)
Income before Tax	55	2.1%	(72.7%)	(62.4%)	515	4.7%	745	7.3%	(30.8%)
EPS(Pretax )*	0.19				1.80		2.61		
Net Income	43	1.7%	(76.2%)	(63.5%)	429	3.9%	686	6.7%	(37.4%)
EPS (After-tax)*	0.15				1.50		2.41		

\*Note1 : EPS are based on the weighted average shares outstanding of 286,178K and 284,768K shares in Q4 2010 and Q4 2009.

# Key Financials- Consolidated B/S

## Preliminary unaudited for 2010



in millions of NT\$

<b>YoY Comparison<sup>1</sup></b>	<b>2010 Q4</b>		<b>2010 Q3</b>		<b>2009 Q4</b>	
<b>Cash &amp; Equiv.</b>	<b>1,883</b>	<b>24.1%</b>	<b>1,772</b>	<b>23.6%</b>	<b>1,935</b>	<b>26.4%</b>
<b>Financial Assets</b>	<b>432</b>	<b>5.5%</b>	<b>298</b>	<b>4.0%</b>	<b>155</b>	<b>2.1%</b>
<b>Accounts Receivable</b>	<b>1,744</b>	<b>22.4%</b>	<b>1,847</b>	<b>24.6%</b>	<b>1,670</b>	<b>22.8%</b>
<b>Inventories</b>	<b>1,790</b>	<b>22.9%</b>	<b>2,009</b>	<b>26.8%</b>	<b>1,792</b>	<b>24.4%</b>
<b>Bank Loan</b>	<b>600</b>	<b>7.7%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>Accounts Payable</b>	<b>1,397</b>	<b>17.9%</b>	<b>1,612</b>	<b>21.4%</b>	<b>1,697</b>	<b>23.1%</b>
<b>Equity</b>	<b>4,218</b>	<b>54.7%</b>	<b>4,312</b>	<b>57.3%</b>	<b>4,778</b>	<b>65.1%</b>
<b>Total Assets</b>	<b>7,800</b>	<b>100.0%</b>	<b>7,510</b>	<b>100.0%</b>	<b>7,337</b>	<b>100%</b>

# Financial Ratio Summary



- ✓ Adequate liquidity and Excellent operating efficiency with strong cash generating ability
- ✓ Strong financial structure with keep reducing liability ratio
- ✓ Proven track records in profitability
- ✓ Constant dividend policy : High payout ratio(60% to 80%) with majority of cash makes an very attractive yield as in past 3 years.

Item	Financial Ratio/Year	07	08	09	10
<b>Capital Structure</b>	Liabilities to Assets ratio(%)	37.9	34.1	33.4	45.3
<b>Liquidity Analysis</b>	Current ratio(%)	220.8	229.8	185.4	211.3
	Quick ratio(%)	160.0	141.4	158.1	187.6
<b>Operating performance</b>	Average collection days	57.0	65.0	56.0	58.0
	Global inventory turnover days	50.0	59.0	72.0	78.0
<b>Profitability</b>	ROE(%)	25.5	20.6	14.5	10.2
	EPS(nt\$/share)	4.80	3.03	2.41	1.50
<b>Dividend</b>	Stock Dividends(nt\$/share)	1.18	1.40	0.99	-
	Cash Dividends(nt\$/share)	2.49	3.51	1.317	2.85
	Capital Reduction(nt\$/share)	1.00	1.00	-	-
	Dividend yield(%)	6.7	21.3	5.0	10.0

# Business Operation Summary

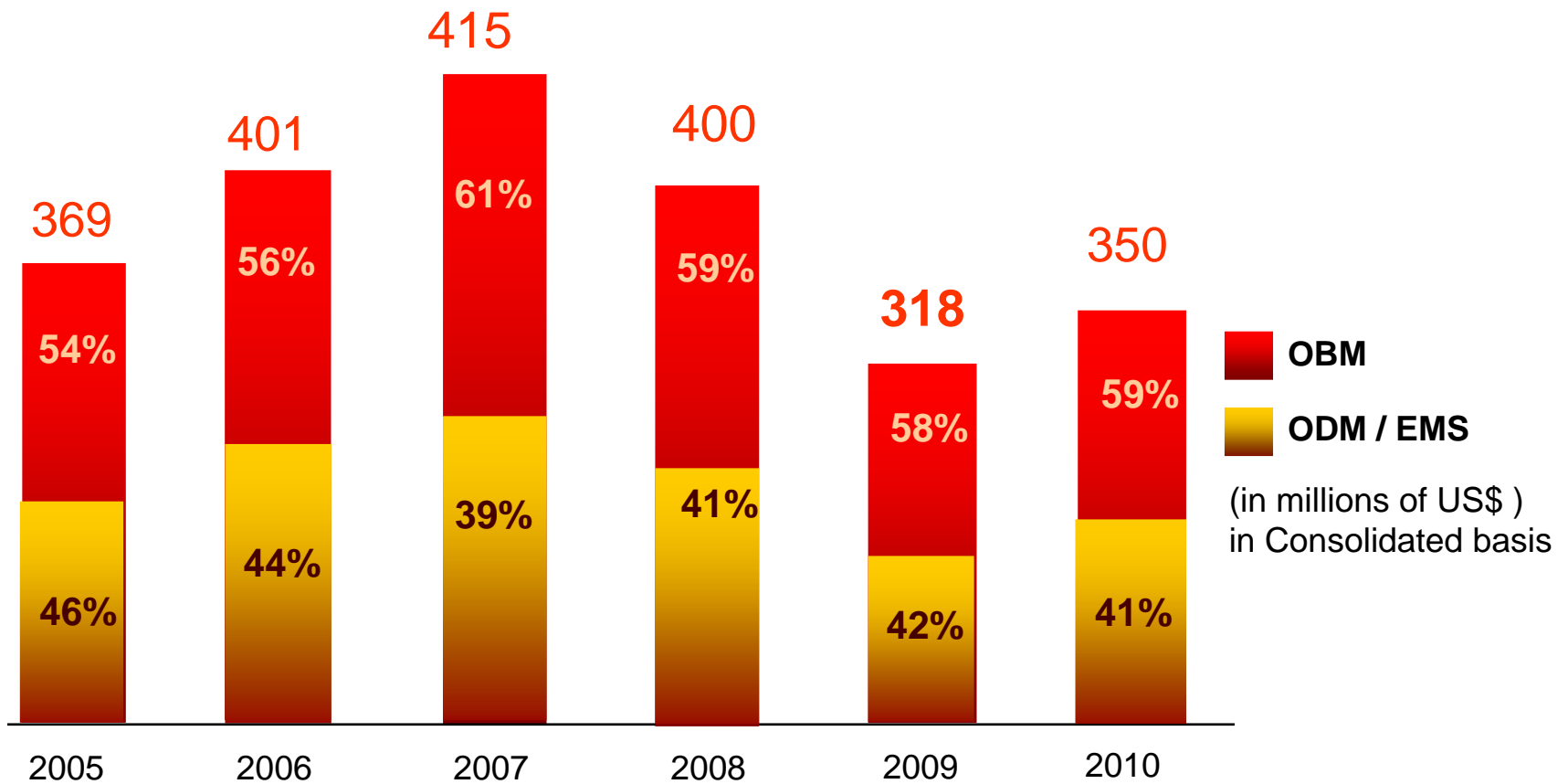


BU	Turnover	06	07	08	09	10
Genius	A/R Turnover (days)	49.0	56.0	65.0	58.0	57.0
	Inventory Turnover (days)	41.0	49.0	57.0	66.0	58.0
	A/P Turnover (days)	73.0	76.0	79.0	70.0	78.0
	Cash Conversion Days	17.0	29.0	43.0	54.0	37.0
ODM/OEM	A/R Turnover (days)	58.0	61.0	64.0	54.0	60.0
	Inventory Turnover (days)	48.0	51.0	60.0	79.0	99.0
	A/P Turnover (days)	78.0	76.0	79.0	70.0	78.0
	Cash Conversion Days	28.0	36.0	45.0	63.0	81.0
KYE	A/R Turnover (days)	52.0	57.0	65.0	56.0	58.0
	Inventory Turnover (days)	44.0	50.0	59.0	72.0	78.0
	A/P Turnover (days)	75.0	76.0	79.0	70.0	78.0
	Cash Conversion Days	21.0	31.0	45.0	58.0	58.0

# Business Model



## OBM/ODM Mix Portfolio Branding Contributed 59%+ in 2010



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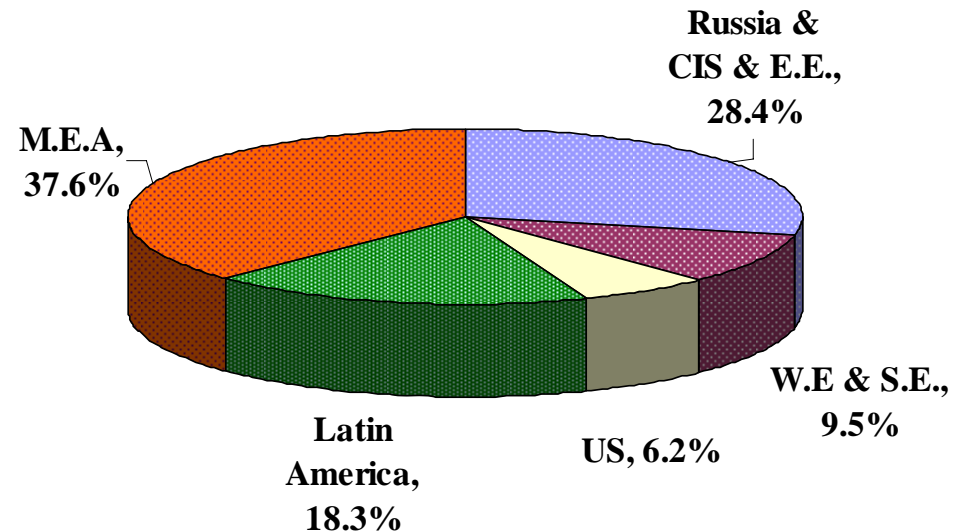


# Regional Sales Allocation- 2010 Q4



**2010 Q4**  
(Total Revenue : NT\$ 2.59 BN)

	% of Sales	yoy %
<b>Russia &amp; CIS &amp; E.E.</b>	<b>28.4%</b>	<b>40.3%</b>
<b>W.E &amp; S.E.</b>	<b>9.5%</b>	<b>-47.8%</b>
<b>US</b>	<b>6.2%</b>	<b>-45.2%</b>
<b>Latin America</b>	<b>18.3%</b>	<b>-13.4%</b>
<b>M.E.A</b>	<b>37.6%</b>	<b>-20.6%</b>
<b>Total Sales</b>	<b>100.0%</b>	<b>-15.0%</b>

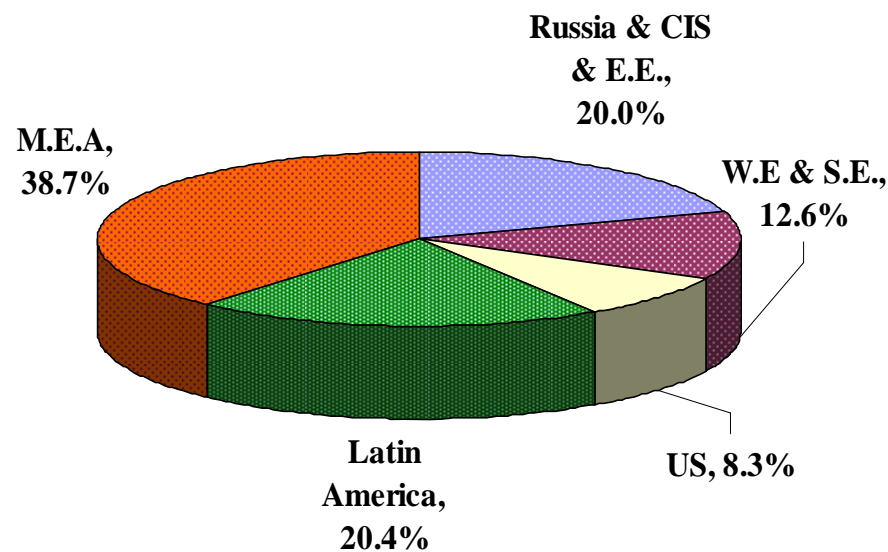




# Regional Sales Allocation- 2010

**2010**  
(Total Revenue : NT\$ 11.04 BN)

	% of Sales	yoy %
<b>Russia &amp; CIS &amp; E.E.</b>	<b>20.0%</b>	<b>50.3%</b>
<b>W.E &amp; S.E.</b>	<b>12.6%</b>	<b>-18.3%</b>
<b>US</b>	<b>8.3%</b>	<b>-24.5%</b>
<b>Latin America</b>	<b>20.4%</b>	<b>4.8%</b>
<b>M.E.A</b>	<b>38.7%</b>	<b>16.5%</b>
<b>Total Sales</b>	<b>100.0%</b>	<b>8.5%</b>

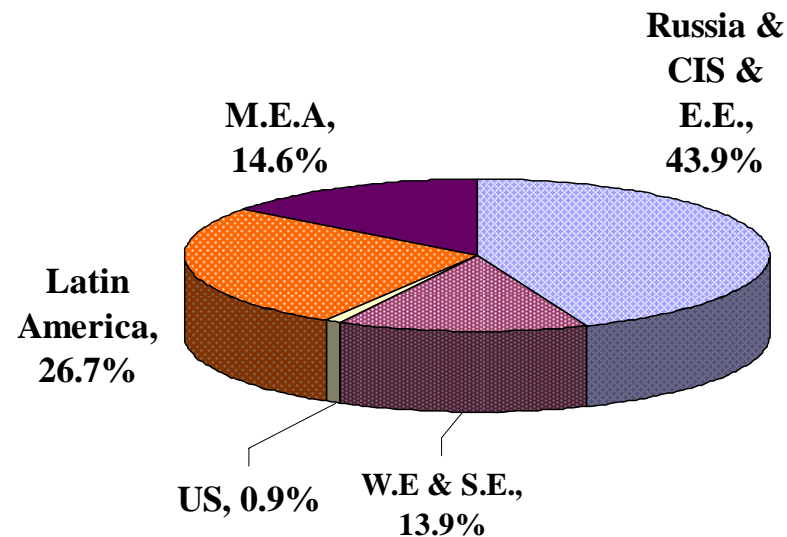


# OBM(Genius) Regional Allocation-2010 Q4



	% of Sales	yoy %
<b>Russia/ CIS / E.E.</b>	<b>43.9%</b>	<b>40.3%</b>
<b>W.E &amp; S.E.</b>	<b>13.9%</b>	<b>-23.1%</b>
<b>US</b>	<b>0.9%</b>	<b>-47.1%</b>
<b>Latin America</b>	<b>26.7%</b>	<b>-13.1%</b>
<b>M.E.A</b>	<b>14.6%</b>	<b>-21.2%</b>
<b>Total Sales</b>	<b>100.0%</b>	<b>0.0%</b>

**2010 Q4**  
(Total Revenue : NT\$ 1.67 BN)

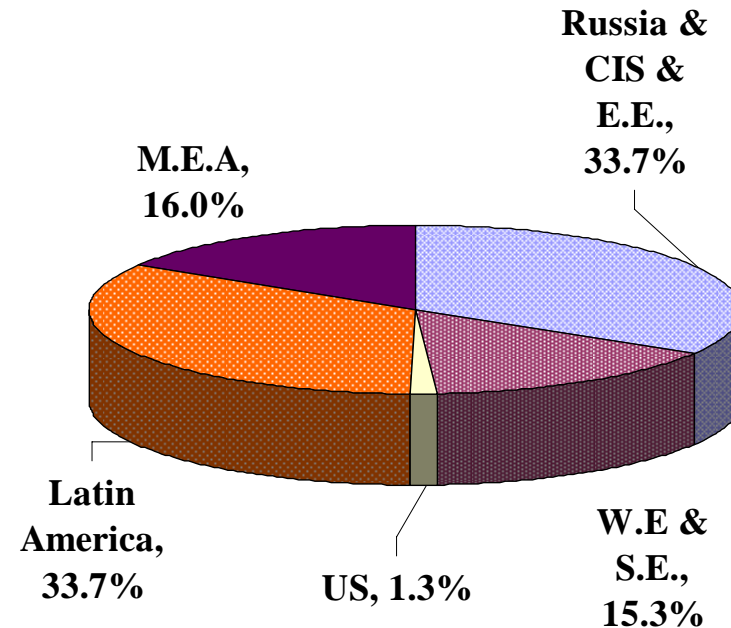


# OBM(Genius) Regional Allocation-2010



	% of Sales	yoy %
<b>Russia/ CIS / E.E.</b>	<b>33.7%</b>	<b>50.3%</b>
<b>W.E &amp; S.E.</b>	<b>15.3%</b>	<b>-8.7%</b>
<b>US</b>	<b>1.3%</b>	<b>-12.2%</b>
<b>Latin America</b>	<b>33.7%</b>	<b>4.6%</b>
<b>M.E.A</b>	<b>16.0%</b>	<b>-2.3%</b>
<b>Total Sales</b>	<b>100.0%</b>	<b>12.6%</b>

**2010**  
(Total Revenue : NT\$ 6.53 BN)



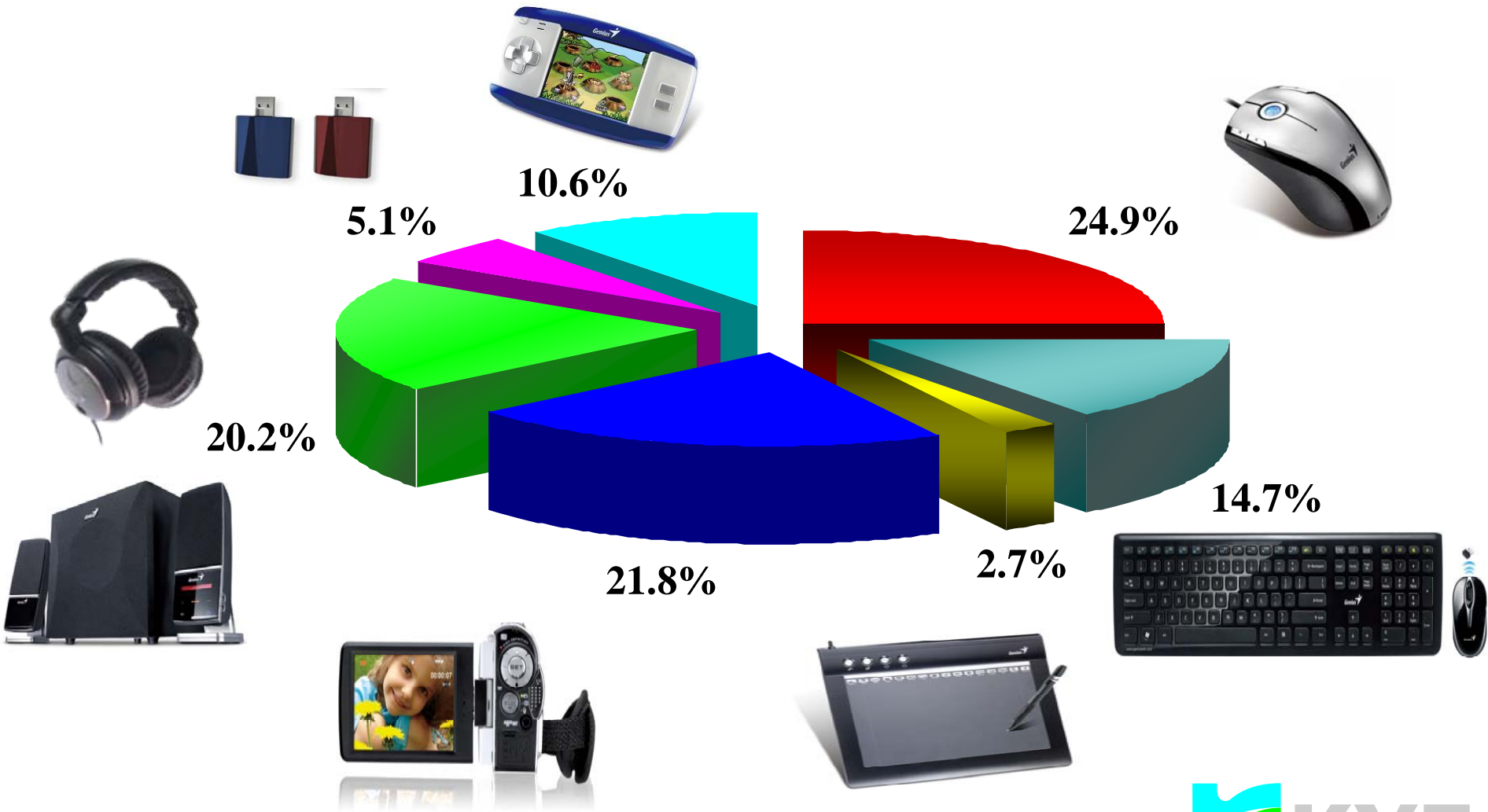
# Business Model



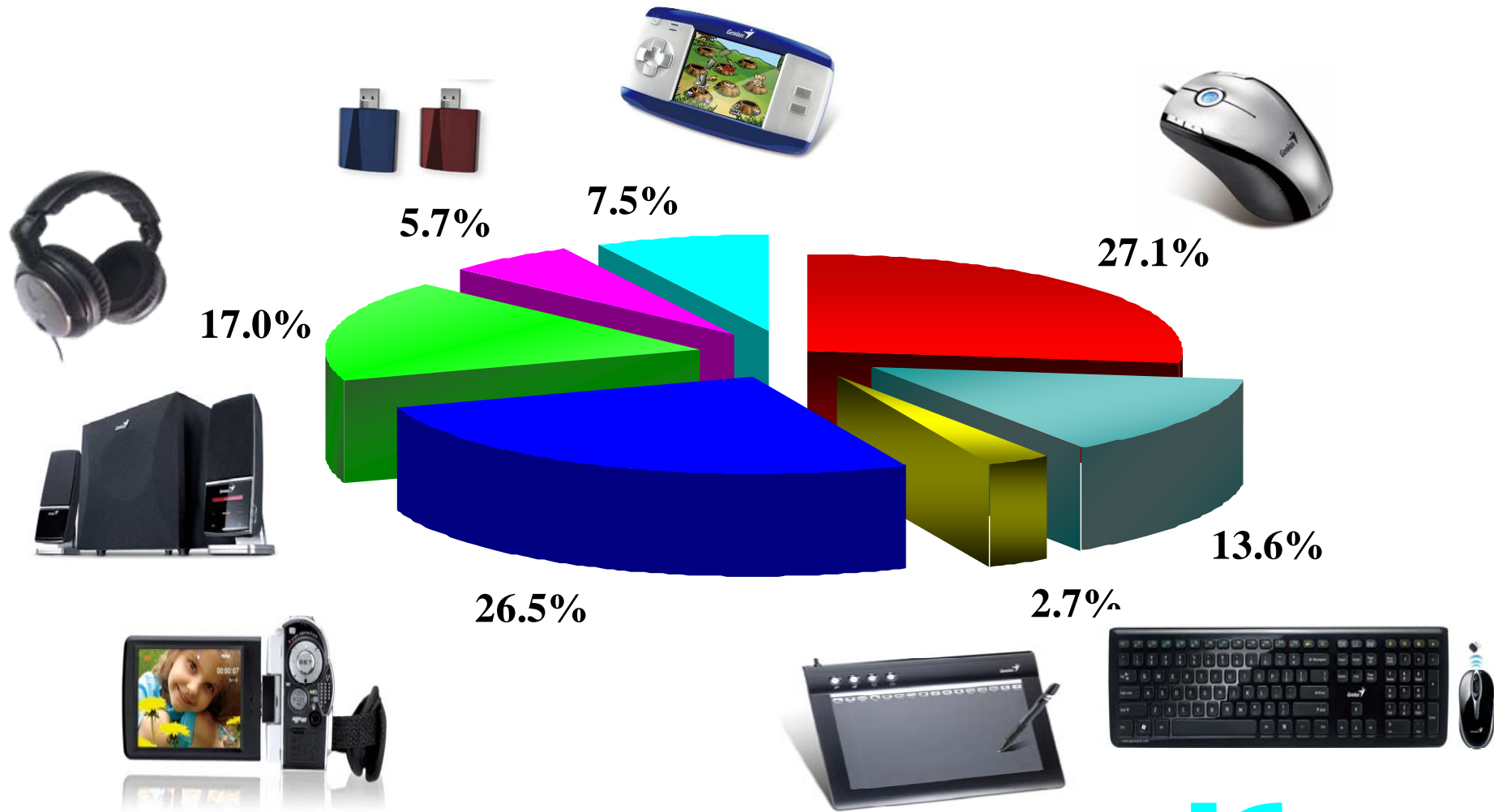
## KYE Production

Product	GENIUS	ODM/OEM
Mouse	Self-manufacturing	Self-manufacturing
K/B	Self-design & Out-sourcing	Self-design
DV/DSC	Out-sourcing / Self-manufacturing	Self-manufacturing
Webcam & Cam Module	Self-manufacturing	Self-manufacturing
Speaker	Self-design & Out-sourcing	Self-manufacturing
Headset	Self-design & Out-sourcing	
Gaming/Handheld Game Devices	Out-sourcing / Self-manufacturing	Self-manufacturing
Card Reader		Self-manufacturing
Digitizer (Tablet)	Self-manufacturing	Self-manufacturing
Barcode Label Printer		Self-manufacturing
Robotics		Self-manufacturing

# 2010 Q4 Product Portfolio



# 2010 Product Portfolio



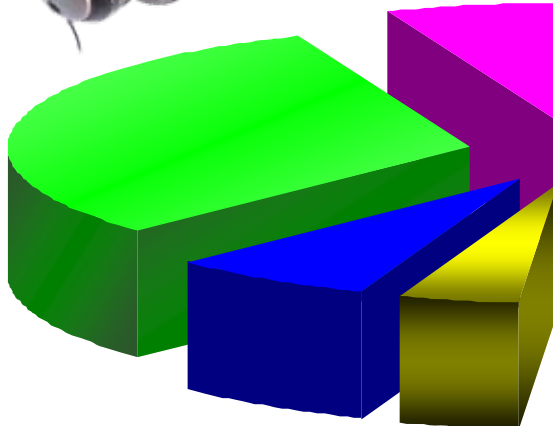
# 2010 Q4 Genius Product Portfolio



31.3%

6.0%

29.1%



7.2%

4.2%

22.2%





# 2010 Genius Product Portfolio



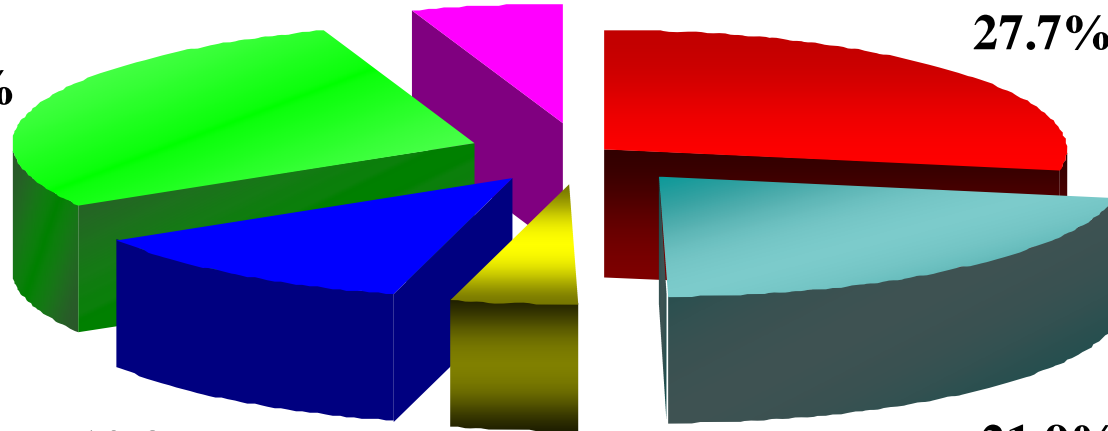
28.3%



5.3%



27.7%



12.3%

4.5%

21.9%



# 2010 Q4 Product Summary



	2010 Q4	2010 Q4	2010	2010
PRODUCTS	Units yoy	Revenues yoy	Units yoy	Revenues yoy
Mouse	-19.4%	-30.8%	4.9%	-13.4%
Genius	6.0%	2.8%	16.1%	15.4%
ODM	-51.4%	-65.0%	-8.9%	-38.3%
KB	12.2%	9.2%	25.4%	21.6%
Speaker	16.8%	14.4%	21.4%	23.1%
Headset	18.4%	1.5%	22.4%	9.2%
DV/DSC	-18.3%	-6.7%	29.3%	61.3%
Webcam	-58.7%	-63.7%	7.2%	-10.2%
Tablet	-1.3%	1.4%	16.2%	17.6%
Carder Reader	-26.4%	-32.7%	-2.7%	-8.0%

## A. NB/Net Books

Ring Mice 、 Pen Mice  
OTC Mice 、 Webcam  
XPad KB 、 Digitizer

## B. Card Reader

External for Memory Card  
Mobil Phone bundle  
Build-in Cards Reader for  
Printer or Desktop PC

## C. Acoustic Devices

iPod/MP3/5.1CH speakers  
MSN/Skype Headset &  
Headphones  
Earphone for cellular phone

## D. New Projects

DV/DSC/Peephole Cam  
Bar Code Label Printer  
Lab Equipment/Spectrometers  
Handheld Gaming Devices  
Mini Projector  
Robotic Vacuum

## Genius

### ■ Europe

- Russia
- Emerging Europe

### ■ America

- Brazil
- Mexico
- Columbia
- Venezuela
- U.S.

### ■ Asia Pacific

- China
- Indonesia
- Vietnam
- Turkey
- India
- UAE

## ODM / OEM

### A. Customer

- H company
- Double A companies
- D company
- W company

### B. Products

- Coreless Mice/KB/K+M
- Card Reader
- DV/DV application
- Webcam/Peephole Cam / Cam Module
- Handheld Gaming Devices
- Robotic Vacuum
- Bar Code Label Printer

## Genius Asset Value

□ Brand Awareness (38.3 million Genius)

□ Brand Value (2010 US\$ 69 million )

□ Brand Image (  )

□ Brand Loyalty

□ Brand Relationship

(a) Physical Channels :

\* NCS (National Chain Store)

\* Hypermarket

\* Systems Bundled

\* 3C Store

\* Mobile Phone Chain Store

\* Public Sector Projects

(b) Virtual Channels :

\* e-shopping

\* TV shopping

## ■ Valuable Customers

\* H Company, Double A, M Company, D Company

## ■ Profit-orientation and the Perfect Product Portfolio

\* ODM & OEM

## ■ Keep the leadership in core technologies

\* Pointing Device Technology

\* Image Technology

\* Storage Technology

\* Wireless Technology

## ■ A approved and certified manufacturer

\* H.P., Acer, Microsoft, Sony, Foxconn & Flextronics

\* ISO9001, ISO14001 & QCO80000

# Production Capability



**Factories : plant A**  
**Production Space : 24,900 m<sup>2</sup>**  
**Yearly Capacity : 30 million pcs**  
**Yearly output value: 230 million USD**



**Factories : plant B**  
**Production Space : 45,000 m<sup>2</sup>**  
**Yearly Capacity : 50 million pcs**  
**Yearly output value: 450 million USD**

## Products Output Capacity

Mice/K+M : 5mn/m

DV/DSC : 6XLines 450k/m now

Card Reader : 1mn/m now

Digitizer : 50k/m now

12XLines 800k/m Dec. 2009

2mn/m Sep. 2010

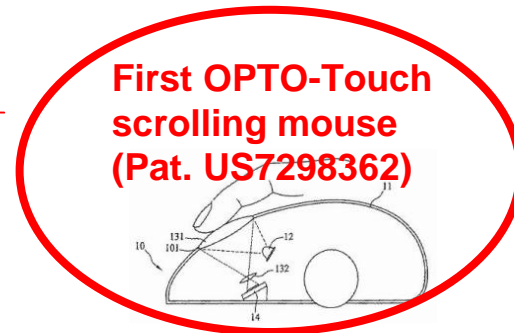
100k/m June 2010



- **Recovery of revenues from emerging markets, new products and new business to generate growing revenues and profits quarter by quarter in next year.**
- **Strong cash inflow from operation and net cash balance to fulfill business demand and dividends payout.**
- **Stable business cycle at around 125 to 130 days and cash conversion at between 50 to 55 days.**
- **Solid financial position, liability ratio back to <40% in 2011.**
- **Strategic Alliance to create more business opportunity through equity investment on supply chains and customers**
- **Challenges and risks : Economic bubble or inflation risk, Strong revaluation on NT and CNY, continuing Shortage of Labor and rising Labor Cost in China, Price of Raw Material.**

# KYE Advantages

- One of Taiwan's top 20 Global Brands in 6 consecutive years since 05
- Red dot, IF, G-Mark & CES Design Award Winner
- Owner of 1,124 patents around the world as of Feb. 2011



- Ranked 88/54 for applied/approved patents in Taiwan for 2010
- The world's leading and Taiwan's best PC peripheral brand
- The world's leading ODM/OEM for card readers
- Professional ODM/OEM service and 1ST-tier IT Corps' partner

# Brand Awards



## 2010 Taiwan Top 20 Global Brand

- ❖ Financial result
- ❖ Brand position
- ❖ Brand awareness
- ❖ Brand Net Value



# Thank You!