

# ***KYE Review and Perspective 2011 Q4***

**Kevin Kao / Finance VP**



**Mar. 13, 2012**

# About Us



- Headquarter : Taipei, Taiwan, R.O.C.
- Founded : November 3, 1983
- Capital (as of Dec. 31, 2011) : NT\$3,124 Million
- Major shareholder (as of Dec. 31, 2011): Jwo & Chen's Family ( 25%-30% )  
QFII ( 6%-8% ) ; Employee ( 5% )
- 2011 Q4 Revenues : NT\$2,179 mn (yoy -15.9%)(qoq+2.2%)  
2011 Revenues : NT\$8,491 mn (yoy -23.1%)
- 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),
  - 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 for Q4 2011



in millions of NT\$

Item	2011Q4		YOY%	QOQ%	2011		2010		YOY%
Net Sales	2,179	100%	(15.9%)	2.2%	8,492	100%	11,037	100%	(23.1%)
COGS	1,811	83.1%	(16.4%)	0.1%	7,124	83.9%	9,055	82.1%	(21.3%)
Gross Profit	368	16.9%	(13.3%)	14.6%	1,367	16.1%	1,981	17.9%	(31.0%)
Operating Expense	430	19.8%	33.9%	28.1%	1,358	16.0%	1,465	13.3%	(6.6%)
Operating Income	(63)	(2.9%)	(161%)	(315%)	10	0.1%	516	4.7%	(98.2%)
Non-Operating	91	4.2%	291%	79.9%	126	1.5%	(1)	0.0%	1156%
Income before Tax	28	1.3%	(48.5%)	(20.0%)	135	1.6%	515	4.7%	(73.8%)
EPS(Pretax )*	0.1				0.47		1.80		
Net Income	11	0.5%	(72.7%)	(60.0%)	115	1.4%	429	3.9%	(73.0%)
EPS (After-tax)*	0.04				0.40		1.50		

\*Note1 : EPS are based on the weighted average shares outstanding of 289,284K and 286,420K shares in Q4 2011 and Q4 2010.

# Key Financials- Consolidated B/S for Q4 2011



in millions of NT\$

<i>YoY Comparison<sup>1</sup></i>	2011 Q4		2011 Q3		2010 Q4	
Cash & Equiv.	1,889	25.2%	1,749	22.8%	1,835	23.6%
Financial Assets	403	5.4%	425	5.5%	491	6.3%
Accounts Receivable	1,435	19.2%	1,645	21.5%	1,657	21.3%
Inventories	1,674	22.3%	1,789	23.3%	1,786	23.0%
Bank Loan	303	4.0%	351	4.6%	600	7.7%
Accounts Payable	1,130	15.1%	1,248	16.3%	1,338	17.2%
Equity	4,323	57.7%	4,400	57.4%	4,130	53.1%
Total Assets	7,488	100.0%	7,666	100.0%	7,773	100.0%

# Financial Ratio Summary



- ✓ Recovering Revenues & Profitability: 2011 Q4 Sales up 2.6% QOQ
- ✓ Healthy Operating Cash inflows+NT\$55Mn and Adequate Cash Balance NT\$1.89Bn
- ✓ Solid Long-term financial structure and Short-term Liquidity
- ✓ Stable Cash Conversion Cycle maintains at 70 days

Item	Financial Ratio/Year	08	09	10	11
<b>Capital Structure</b>	Liabilities to Assets ratio(%)	<b>34.1</b>	<b>34.9</b>	<b>46.9</b>	<b>41.6</b>
<b>Liquidity</b>	Current ratio(%)	<b>229.8</b>	<b>233.4</b>	<b>226.6</b>	<b>190.8</b>
<b>Analysis</b>	Quick ratio(%)	<b>141.4</b>	<b>155.5</b>	<b>152.5</b>	<b>127.2</b>
<b>Operating performance</b>	Average collection days	<b>65.0</b>	<b>56.0</b>	<b>58.0</b>	<b>66.0</b>
	Global inventory turnover days	<b>59.0</b>	<b>72.0</b>	<b>77.0</b>	<b>86.0</b>
<b>Profitability</b>	ROE(%)	<b>20.6</b>	<b>14.5</b>	<b>10.2</b>	<b>2.7</b>
	EPS(NT\$/share)	<b>3.03</b>	<b>2.41</b>	<b>1.50</b>	<b>0.40</b>
<b>Dividend</b>	Stock Dividends(NT\$/share)	<b>1.40</b>	<b>0.99</b>	-	-
	Cash Dividends(NT\$/share)	<b>3.51</b>	<b>1.317</b>	<b>2.85</b>	<b>0.24</b>
	Dividend yield(%)	<b>21.3</b>	<b>5.0</b>	<b>10.0</b>	<b>1.9</b>

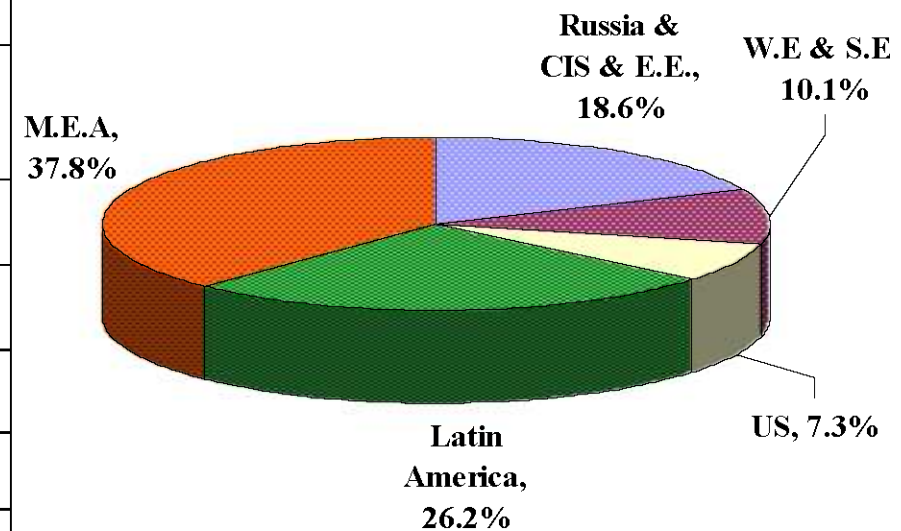
# Regional Sales Allocation- 2011



**2011**

(Total Revenue : NT\$ 8.49 BN)

	% of Sales	yoy %
<b>Russia &amp; CIS &amp; E.E.</b>	<b>18.6%</b>	<b>-29.1%</b>
<b>W.E &amp; S.E.</b>	<b>10.1%</b>	<b>-38.7%</b>
<b>US</b>	<b>7.3%</b>	<b>-32.8%</b>
<b>Latin America</b>	<b>26.2%</b>	<b>-2.3%</b>
<b>M.E.A</b>	<b>37.8%</b>	<b>-25.5%</b>
<b>Total Sales</b>	<b>100.0%</b>	<b>-23.7%</b>

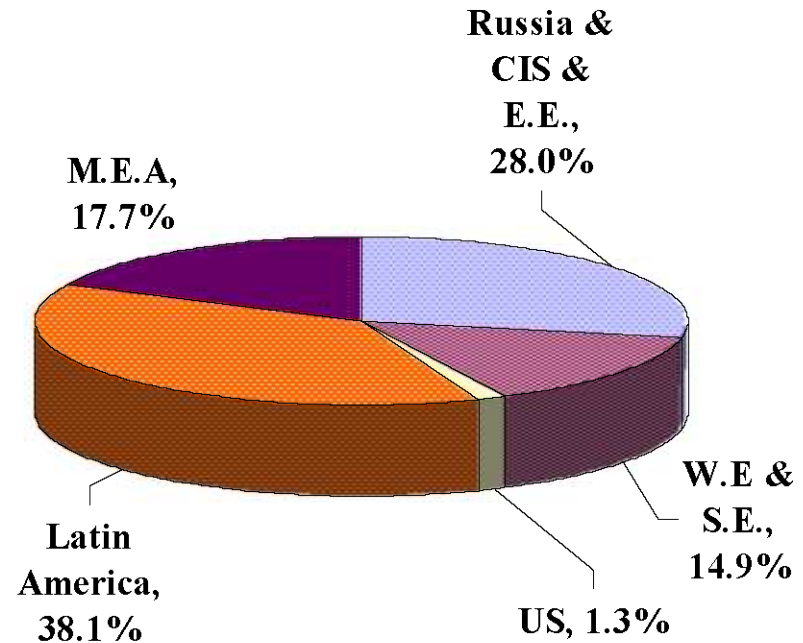


# OBM(Genius) Regional Allocation-2011



	% of Sales	yoy %
<b>Russia/ CIS / E.E.</b>	<b>28.0%</b>	<b>-29.1%</b>
<b>W.E &amp; S.E.</b>	<b>14.9%</b>	<b>-16.8%</b>
<b>US</b>	<b>1.3%</b>	<b>-14.1%</b>
<b>Latin America</b>	<b>38.1%</b>	<b>-3.2%</b>
<b>M.E.A</b>	<b>17.7%</b>	<b>-5.7%</b>
<b>Total Sales</b>	<b>100.0%</b>	<b>-14.5%</b>

**2011**  
(Total Revenue : NT\$ 5.6 BN)



# Business Model

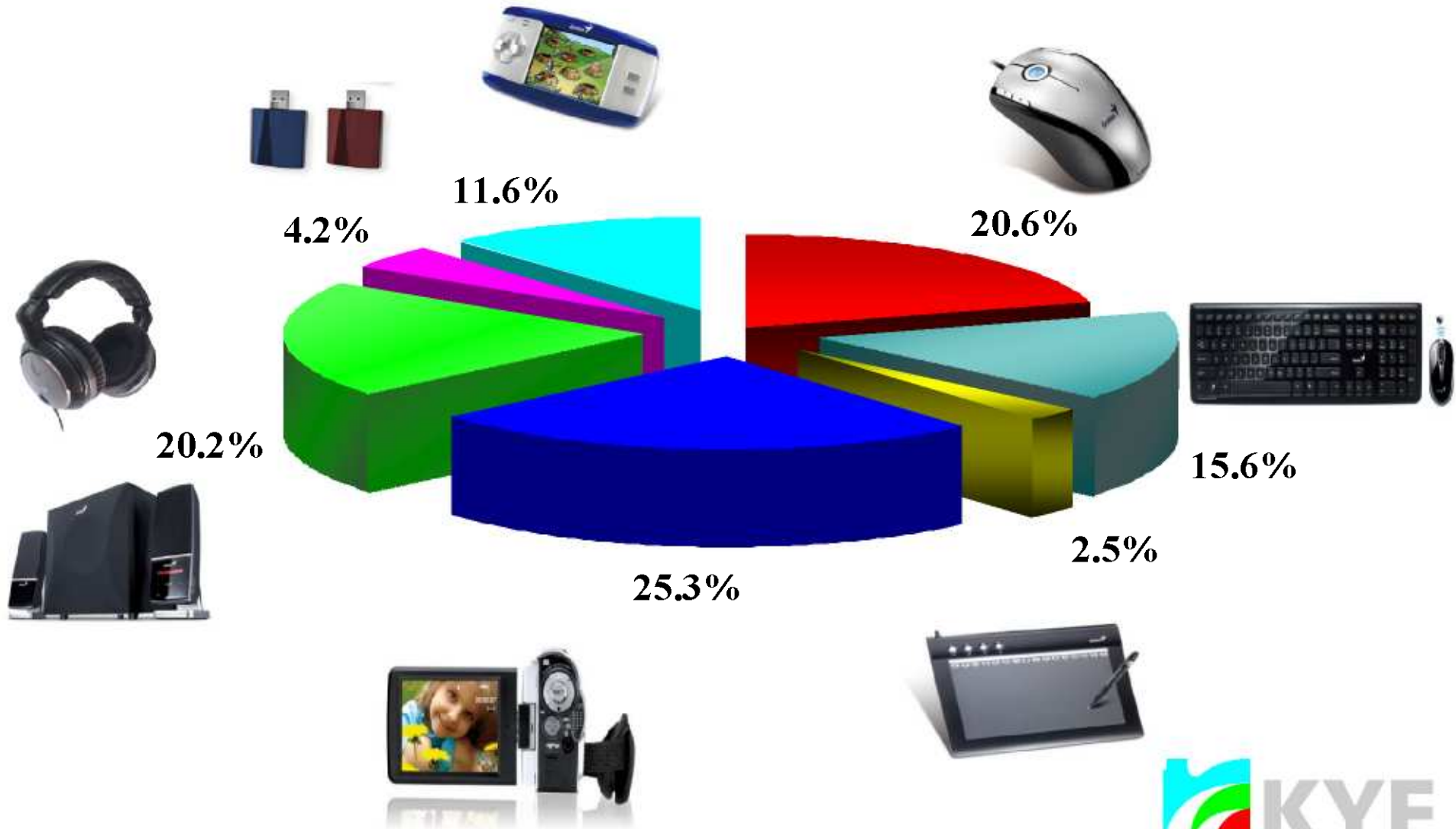


## KYE Production

Product	GENIUS/AGAMA	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	Out-sourcing	Self-manufacturing



# 2011 Product Portfolio



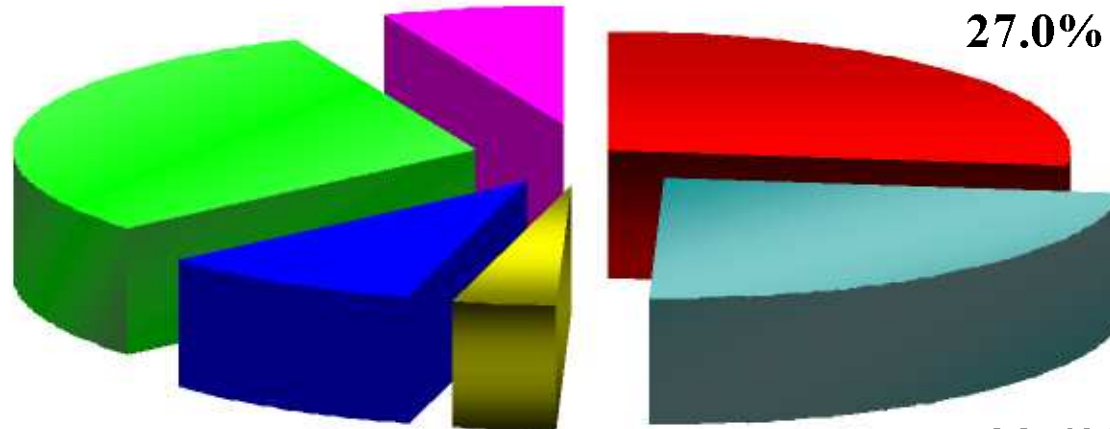
# 2011 Genius Product Portfolio



29.8%

6.5%

27.0%



9.4%

3.7%

23.6%



# 2011 Product Summary



	2011 Q4	2011 Q4	2011	2011
PRODUCTS	Units yoy	Revenues yoy	Units yoy	Revenues yoy
Mouse	-35.1%	-34.2%	-37.9%	-41.4%
Genius	-23.1%	-20.2%	-16.8%	-18.6%
ODM	-68.3%	-75.9%	-71.3%	-78.4%
KB	-19.2%	-6.6%	-14.6%	-11.6%
Speaker	-15.7%	-6.2%	-8.0%	-5.1%
Headset	-20.0%	-12.0%	-23.7%	-20.2%
DV/DSC	-35.8%	-9.9%	-21.3%	-10.2%
Webcam	-4.7%	-4.2%	-59.5%	-55.3%
Tablet	-42.9%	-47.1%	-13.3%	-29.2%
Gaming	-11.3%	-13.3%	+1.1%	+3.8%
Carder Reader	-33.0%	-41.7%	-42.4%	-43.8%

# R&D / Business Scope

## DT / NB / XPAD Peripherals



# R&D / Business Scope Embedded Systems



# R&D / Business Scope Mobile Phone Peripherals



Camera Modules



Charging Dock



Mobile Phone



Stereo Headset



Speaker

Wireless Charger



Hotsync Cable

Game Pad

# 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 : 12XLines 450k/m

Card Reader : 2mn/m

Digitizer : 50k/m

Robotic Vacuum : 10k/m

Other product : 50k/m

# Financial Outlook for 2012



- **Recovery of business from emerging markets, new products, new channels and new business.**
- **Strong cash inflow from operation and net cash balance to fulfill business demand and dividends payout.**
- **Stable business cycle at around 130 to 135 days and cash conversion at between 60 to 65 days.**
- **Solid financial position, liability ratio back to <38% in 2012.**
- **Strategic Alliance to create more business opportunity through equity investment on supply chains and customers**
- **Challenges and risks : Resolution of European Debt Crisis, Momentum of US Economic Recovery, Price of Oil and Raw Material, China Economic slowdown, Continuing Shortage of Labor and rising Labor Cost in China.**



# Growth Engines



## 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
- F company

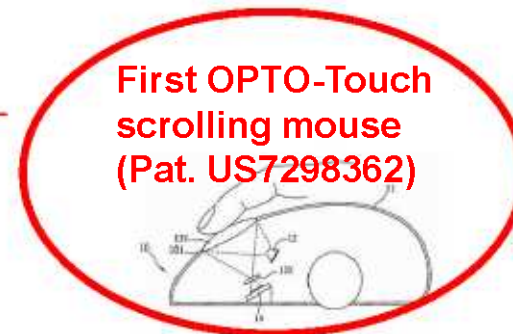
### B. Products

- Coreless Mice/K+M/Pen/Ring
- Card Reader
- DV/DV application
- Webcam/Cam Module
- Pico Projectors
- Handheld Gaming Devices
- Robotic Vacuum
- Bar Code Label Printer

# 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 1,184 patents around the world as of Sep. 2011 (**627** for mice)



- ❑ 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



**Thank You!**