

ALi Corporation (3041 TT)

Company Profile

Sept 12, 2014

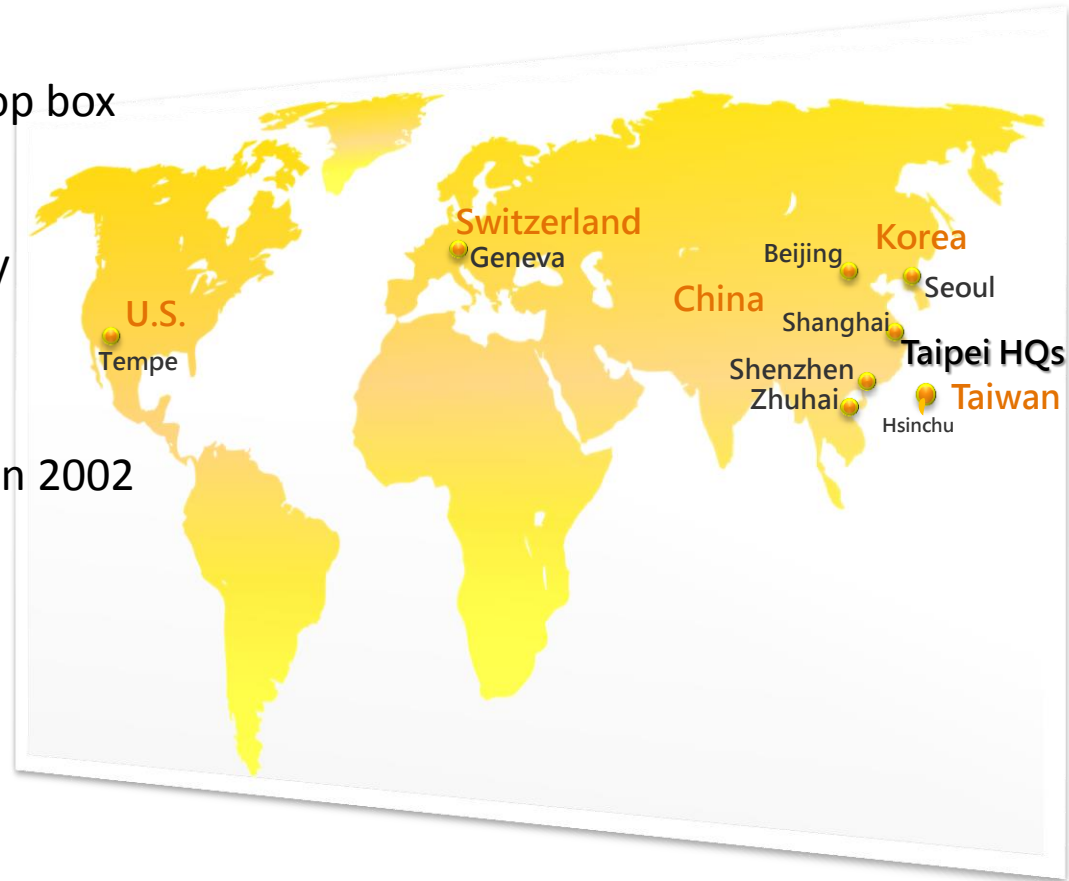


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Overview

- 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)
- ~650 employees worldwide
- Headquartered in Taipei, Taiwan

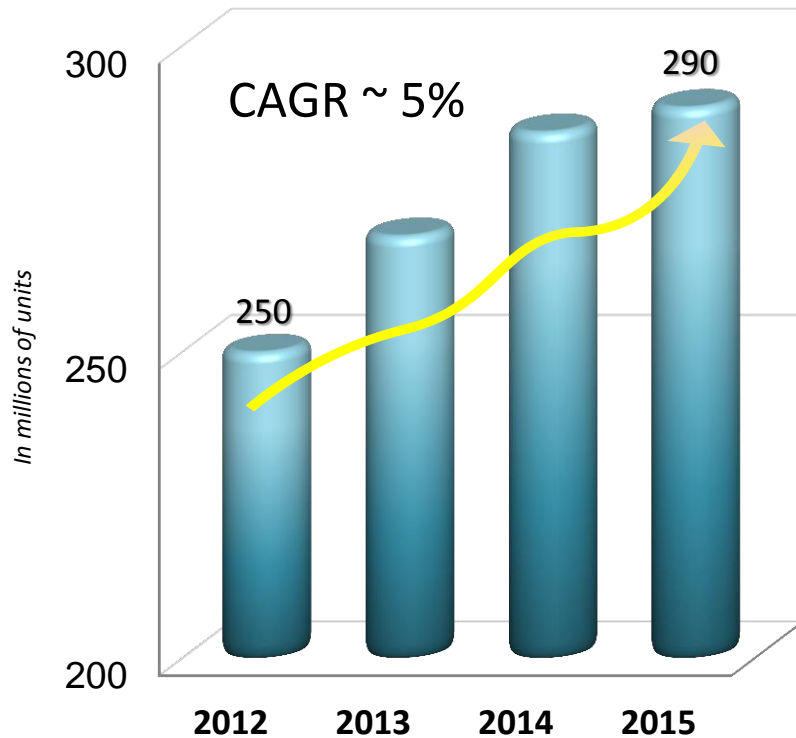


Sizeable STB market with healthy outlook

- The growth has been fueled by diversified devices & regional demand

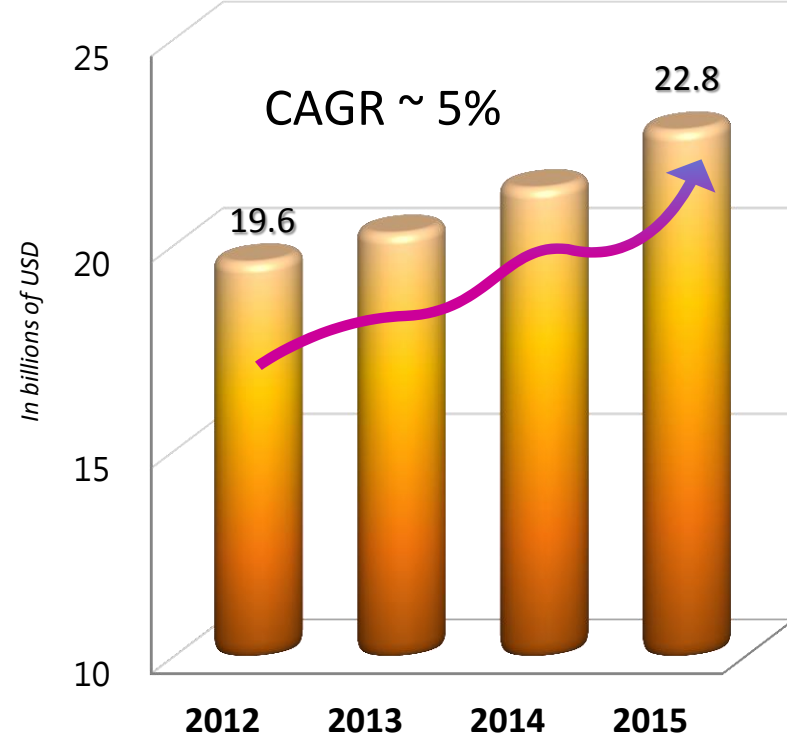
- Migration to HD is continuing; Multimedia Home Gateway (MHG) will grow, integrating traditional STB with home networking functionalities
- Emerging markets turn up the volume with spotlight on China, India, Eastern/Central Europe and Latin America

Global STB shipments



Source: IHS (Jul 2013)

Global STB shipments Revenue



Source: IHS (Jul 2014)

Sizeable STB market with healthy outlook

- From a single-purpose device to a multimedia home gateway(MHG)



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

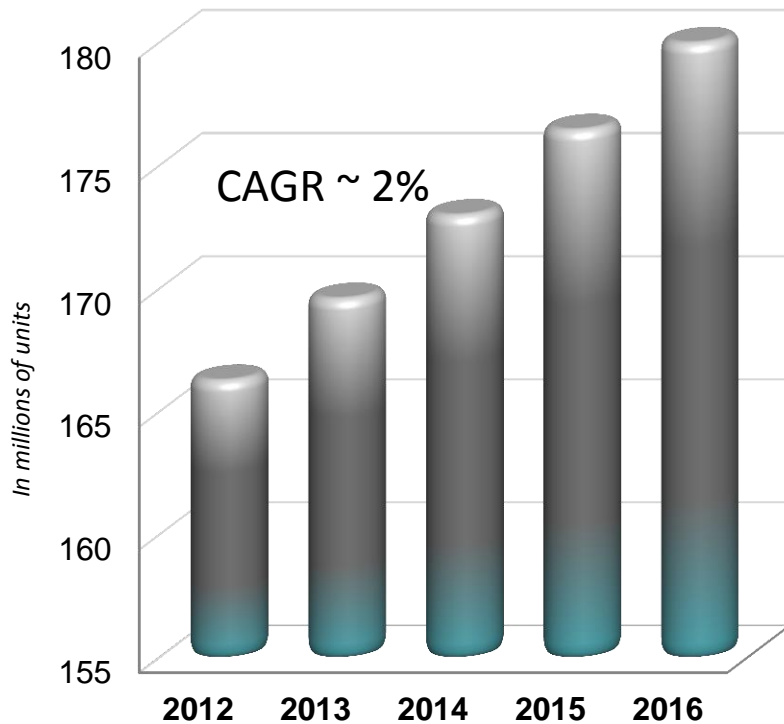
- Decrypts broadcast content from operators for authenticated subscribers
- Delivers pay-per-view and interactivity

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

Sizeable STB market with healthy outlook

- Promising Pay-TV set-top box market with growth expected till '16

Global Pay-TV STB shipments

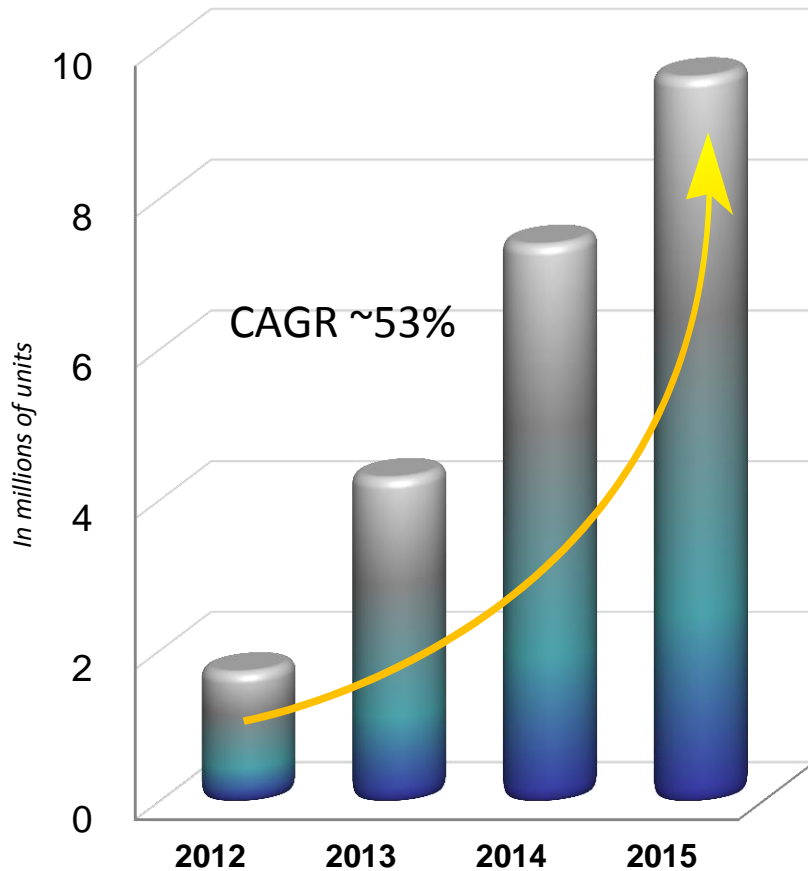


Source: Futuresource Consulting (Aug 2013)

- Global Pay-TV set-top box (STB) shipments continue to grow, with demand expected to peak at **180 million units** in 2016, spurred by the trinity of cable, pay satellite and IPTV continue to perform
- The majority of Pay-TV STB's growth is coming from emerging markets like Asia Pacific and Latin America, as the regions expand their cable digitalization and new services continue to appear
- Transition to higher-price advanced MHGs in developed countries will have a sustained and positive impact on revenues

Sizeable STB market with healthy outlook

- Global MHG shipments set to surge to around 10 million units by '15



Source: IHS (Mar 2013)

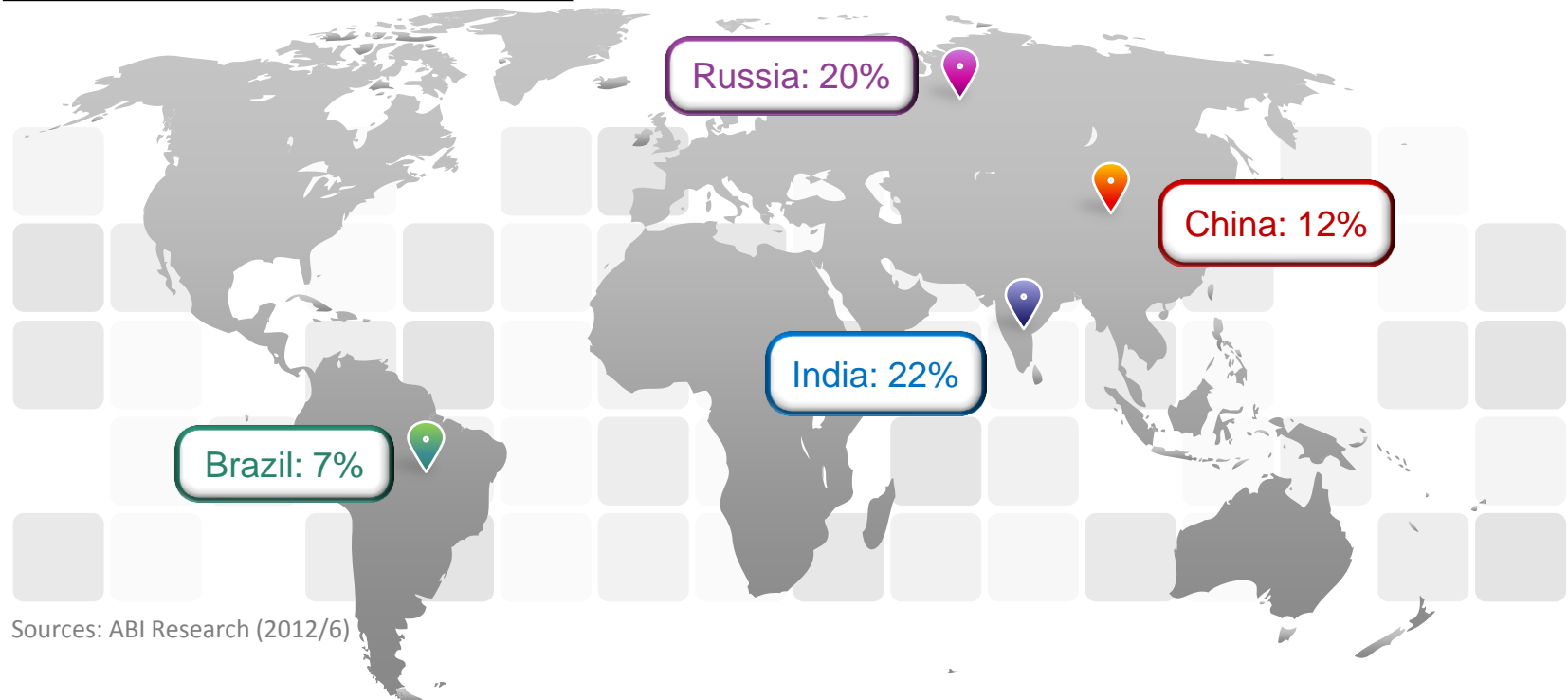
- MHGs are playing a role as the bridge between broadcast and Internet protocol(IP) video distribution
- MHGs allow operators to consolidate content delivery around their managed networks regardless of viewing devices
- Pay-TV operators could further offer a range on additional services supported by MHGs such as home automation and security, as well as smart energy and e-health services

Sizeable STB market with healthy outlook

- Emerging markets turn up the volume

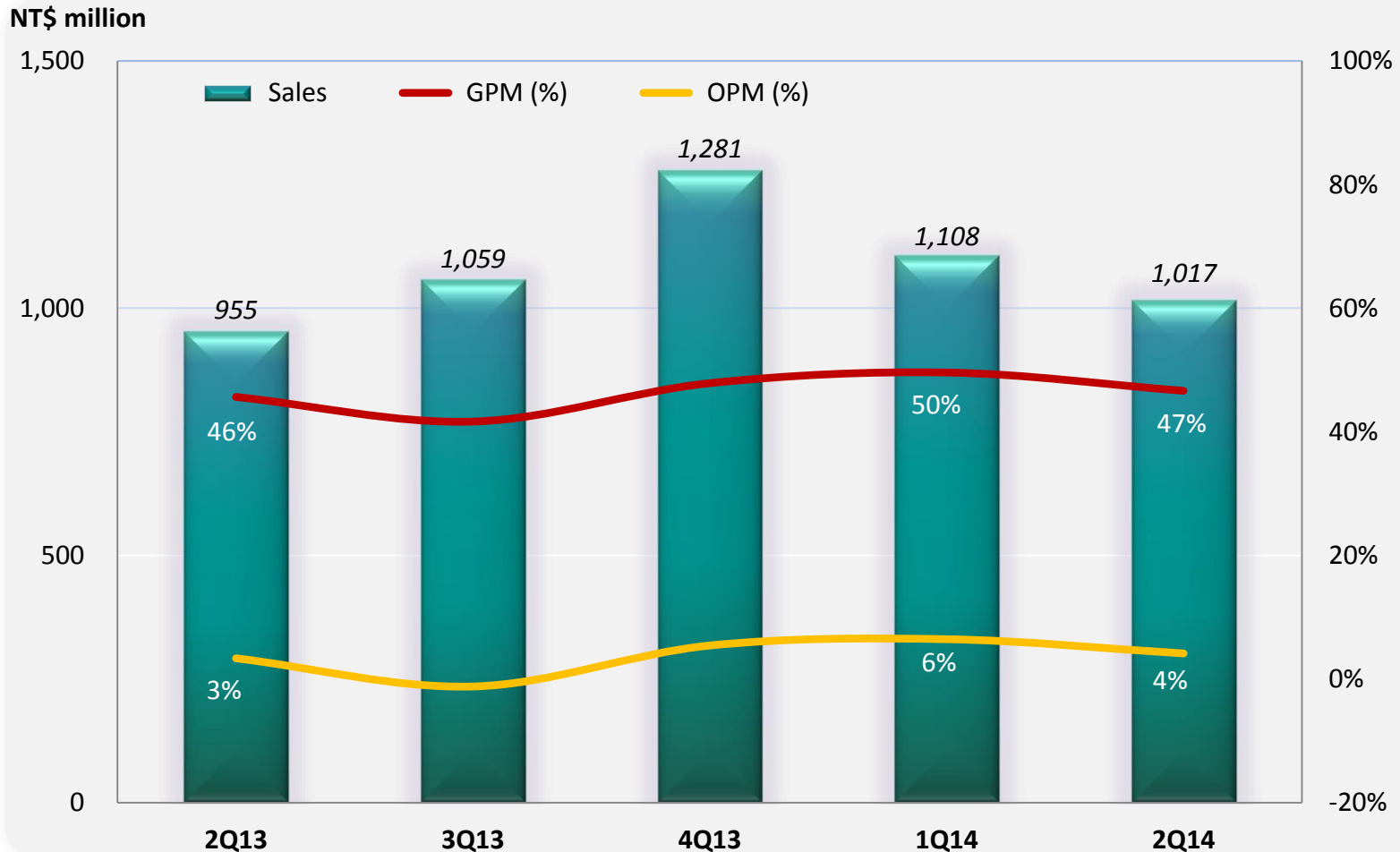
- Volume growth for the STB market will be driven by demand for:
 - Cable digitization in India and China
 - Terrestrial TV digitization in Central/Eastern Europe and Latin America
- Emerging markets accounted for around 70% of global demand in STB units, with the Asia Pacific market making up to 44%*

'12-'17 Set-top box unit CAGR (%)



2Q14 Consolidated Quarterly Results

- 2Q14 revenue reached NT\$1,017 million, QoQ -8%, YoY +6%
- Gross profit margin was 47%
- Operating profit margin was 4%



2Q14 Consolidated Income Statement

(Amounts in thousand New Taiwan Dollars)	2Q14		1Q14		2Q13		QoQ	YoY
Net sales	1,016,890	100%	1,108,030	100%	955,183	100%	-8%	6%
Cost of goods sold	(542,663)		(558,453)		(519,202)		-3%	5%
Gross profits	474,227	47%	549,577	50%	435,981	46%	-14%	9%
Operating expenses:								
Selling expenses	(80,635)		(87,385)		(38,651)		-8%	109%
Administrative expenses	(73,340)		(89,030)		(99,303)		-18%	-26%
Research and development expenses	(278,005)		(301,629)		(265,858)		-8%	5%
Total operating expenses	(431,980)		(478,044)		(403,812)		-10%	7%
Operating income	42,247	4%	71,533	6%	32,169	3%	-41%	31%
Non-operating income and gain (expense & loss)	6,343		21,458		920,731		-70%	-99%
Income before income tax	48,590		92,991		952,900		-48%	-95%
Income tax(expense)benefit	(14,910)		(10,242)		(36,179)		46%	-59%
Net income	33,680		82,749		916,721		-59%	-96%
Earnings Per Share (in New Taiwan Dollars)	0.12		0.28		3.13			

2Q14 Consolidated Balance Sheet

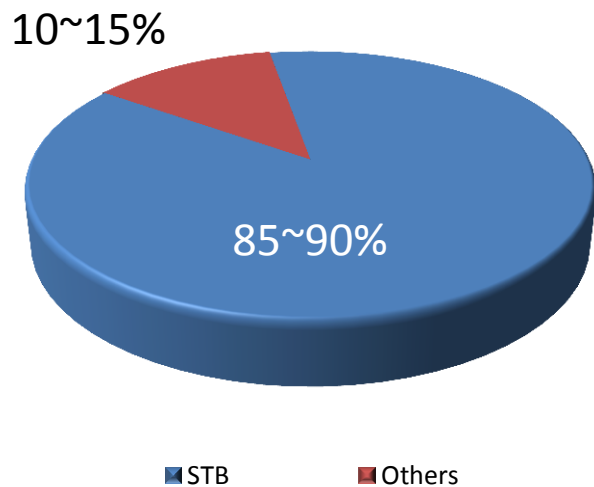
(Amounts in thousand New Taiwan Dollars except Key Indices)

Selected Items from Balance Sheet

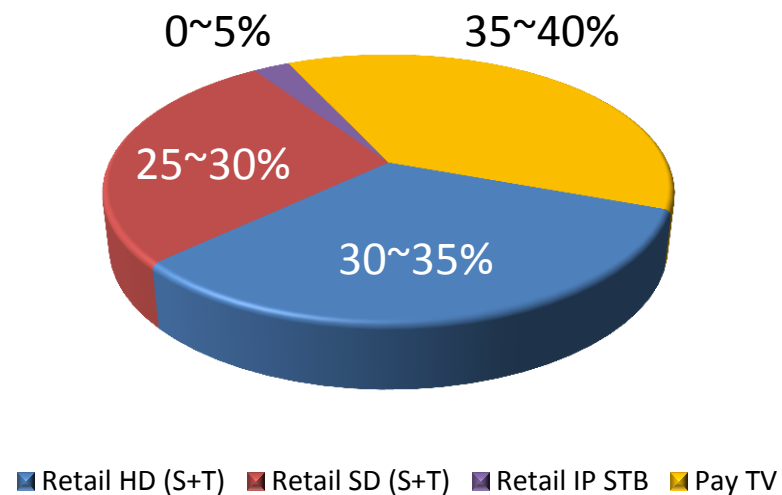
	<u>Jun 30, 2014</u>	<u>Mar 31, 2014</u>	<u>Jun 30, 2013</u>
Cash & financial asset current	4,740,220	4,903,258	5,219,806
Notes and accounts receivable	193,296	234,289	361,040
Inventory (net)	560,753	430,168	550,460
Other current asset	332,856	351,157	68,720
Total current asset	5,827,125	5,918,872	6,200,026
Funds and Investments	64,963	57,823	58,959
Net PP&E	691,939	701,894	705,096
Intangible assets	502,118	529,083	590,958
Other assets	127,657	95,519	168,555
Total assets	7,213,802	7,303,191	7,723,594
Notes & accounts payable	484,040	554,009	574,761
Other current liabilities	1,160,158	553,820	1,076,550
Other liabilities	20,352	-	40,142
Total liabilities	1,664,550	1,107,829	1,691,453
Total shareholders' equity	5,549,252	6,195,362	6,032,141
Key Indices			
A/R Turnover Days (net)	19	34	35
Inventory Turnover Days (net)	83	66	92
Current Ratio	3.5	5.3	3.8

2Q14 Revenue Breakdown

STB vs. Others



STB by End Market



Thank you