

# HTC CORPORATION

## 1Q BUSINESS REVIEW

WINSTON YUNG  
CFO

JOEY CHENG  
Director of Investor Relations

Apr. 29<sup>th</sup>, 2011

# DISCLAIMER STATEMENT

- This presentation and release contain “forward-looking statements” which may include projections of future results of operations, financial condition or business prospects based on our own information and other sources.
- Our actual results of operations, financial condition or business prospects may differ from those expressed or implied in these forward-looking statements for a variety of reasons, including but not limited to market demand, price fluctuations, competition, international economic conditions, supply chain issues, exchange rate fluctuations and other risks and factors beyond our control.
- The forward-looking statements in this release reflect the current belief of HTC as of the date of this release. HTC undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.

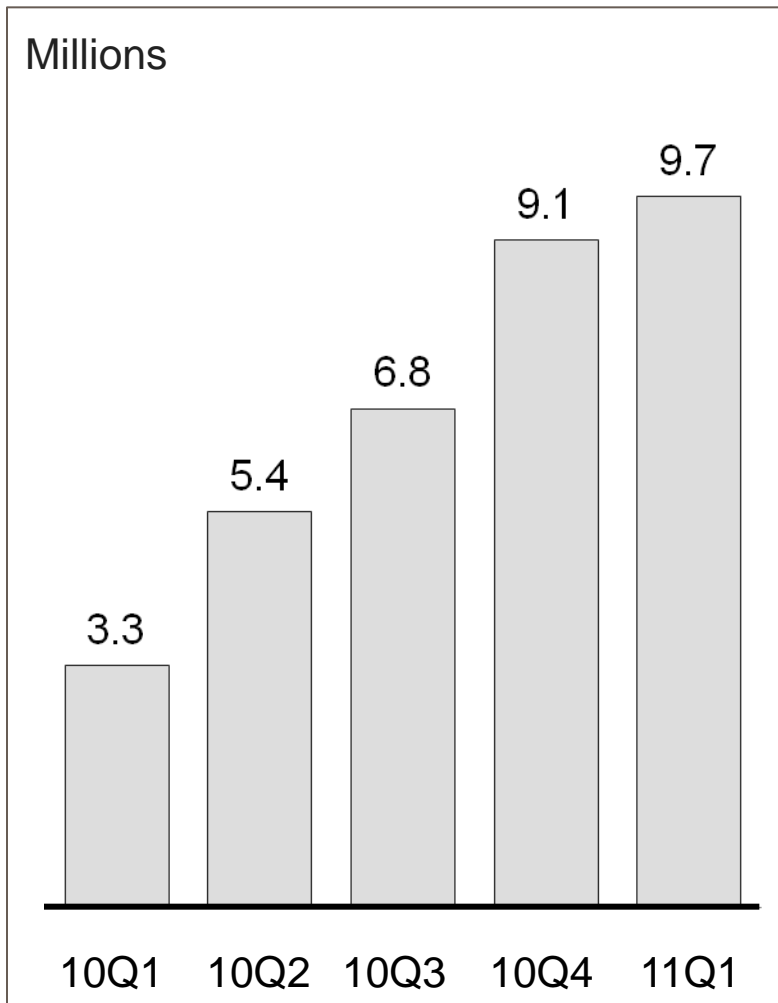
# 1Q11 BUSINESS REVIEW

- 1Q shipment grew 192% yoy to 9.7mn units.
- 1Q revenue was NT\$104.16bn, up 174% yoy, better than original guidance.
- 1Q GPM in line with original guidance at 29.3%.
- 1Q OPEX ratio was 13.4%, better than original guidance; 1Q operating margin at 15.8%, also better than expected.

# EXECUTIVE SUMMARY

- Strong brand recognition and product innovation drive better-than-expected 1Q momentum
- Sustained operating margin achieved through scale expansion and higher operation efficiency
- 1Q new products (Inspire 4G, Thunderbolt, EVO Shift 4G, Desire S, and Incredible S) well-received by market
- Announcement of Wildfire S, ChaCha, Salsa, Flyer, EVO 3D and Sensation show HTC's leadership in technology and innovation
- Continue to innovate hardware with new architecture (Dual Core, 3D, Display, Camera, Audio, Connectivity), advanced technology (LTE, WiMax), and premium lifestyle design
- Re-invented HTC Sense for powerful super phones, landscape and keyboard devices, and larger/higher resolution tablet displays; holistic design enriches user experience and further differentiates HTC from competition
- Initiate content delivery capability with HTC Watch video platform running from 2Q
- HTC innovation globally recognized
  - Device Manufacturer of the Year, Global Mobile Awards 2011
  - HTC Thunderbolt: CTIA 2011 Emerging Technology Award
  - HTC EVO 3D: Best in Show & Best Smartphone by Laptop Magazine in CTIA 2011

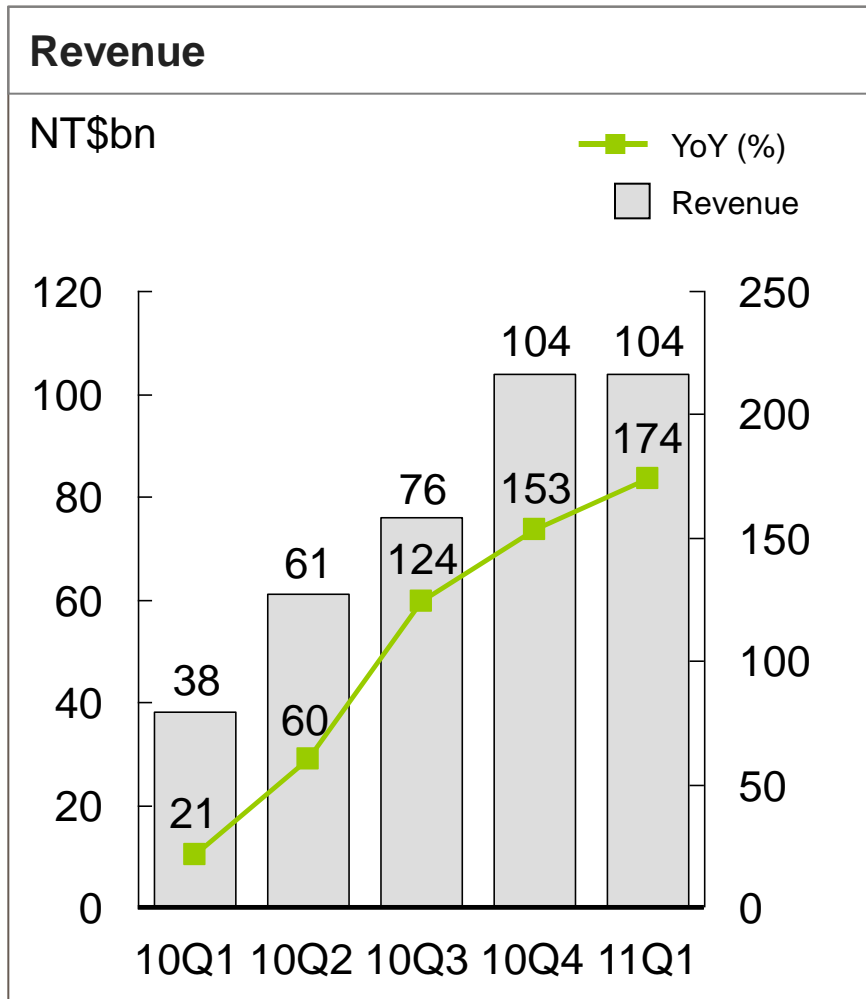
# HANDSET SHIPMENT



## Comments

- Handset shipment for 1Q was 9.7mn units, up 192% yoy, 6% qoq
- HTC extended its leadership in 4G driven by strong sales of Inspire 4G (AT&T), Evo 4G (Sprint), and Evo Shift 4G (Sprint); newly launched Thunderbolt (Verizon) is also selling well
- Europe and Asia continue to experience strong sales momentum from Desire and Wildfire which will be succeeded by Desire S and Wildfire S in 2Q

# REVENUE

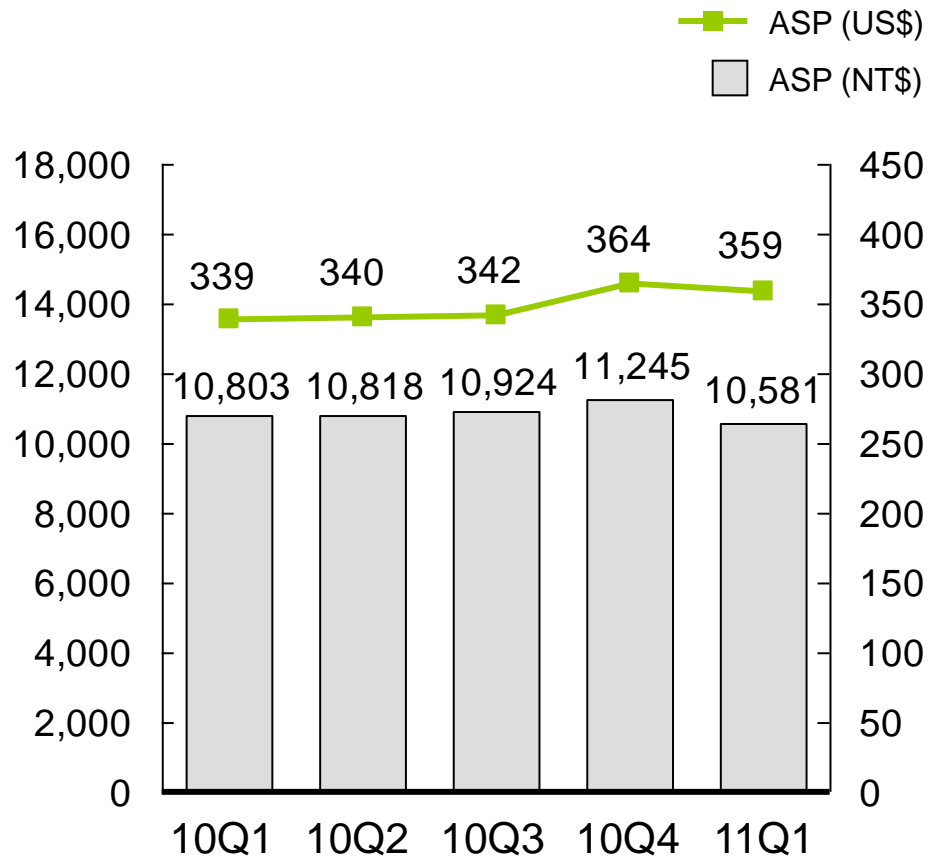


## Comments

- Revenue for 1Q was NT\$104.16bn, up 174% yoy, 0.1% qoq
- Revenue hit new high driven by strong underlying growth in all regions, defying traditional seasonality
- Sell through and inventory remain healthy going into 2Q 2011

# AVERAGE SELLING PRICE

## Quarterly ASP



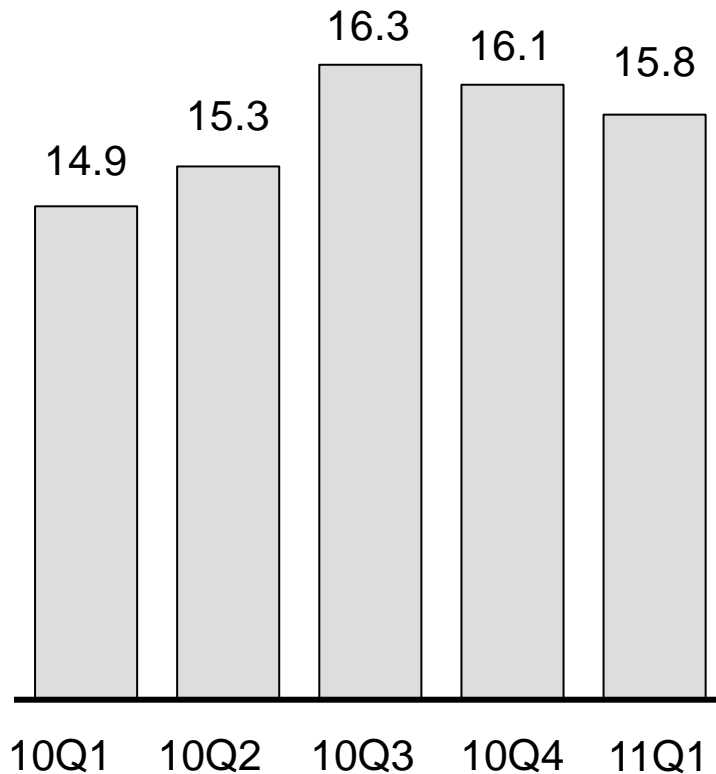
## Comments

- ASP (in USD) was US\$359, up 6% yoy, down 1% qoq
- ASP (in NTD) was NT\$10,581, down 2% yoy and 6% qoq driven by foreign exchange movements
- Advance technology (e.g., 4G) and innovation drive strong high-end demand and result in favorable product mix

# MARGINS

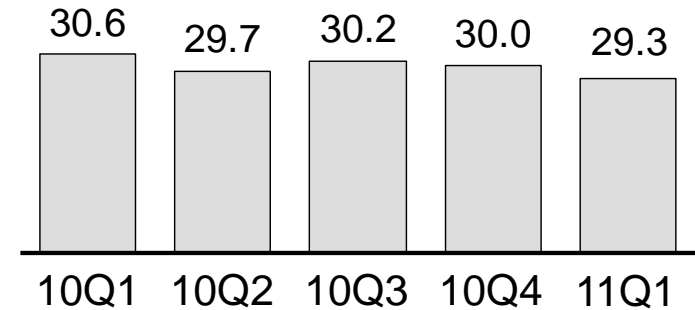
## Operating Margin

%



## Gross Margin

%



## Comments

- Scale expansion indicates HTC's success in staying competitive in the market
- Operating margin has been sustained largely due to operating leverage from growing scale
- HTC continues to deliver absolute operating profit growth as it expands



# 1Q11 P&L (CONSOLIDATED)

NT\$bn	1Q 10	4Q 10	1Q 11	QOQ	YOY
REVENUES	37.95	104.01	<b>104.16</b>	0.1%	174.5%
<u>GROSS PROFIT</u>	<u>11.60</u>	<u>31.21</u>	<u><b>30.47</b></u>	<u>-2.4%</u>	<u>162.6%</u>
<u>RSGA EXPENSE</u>	<u>5.94</u>	<u>14.50</u>	<u><b>14.00</b></u>	<u>-3.4%</u>	<u>135.8%</u>
NOP	5.66	16.72	<b>16.47</b>	-1.5%	190.8%
NPBT	5.76	16.79	<b>17.05</b>	1.6%	196.0%
NPAT <sup>1</sup>	5.00	14.80	<b>14.83</b>	0.2%	196.8%
GPM (%)	30.6%	30.0%	<b>29.3%</b>		
RSGA RATIO (%)	15.6%	13.9%	<b>13.4%</b>		
EPS <sup>2</sup> (NT\$)	6.38	18.26	<b>18.36</b>		
<b><i>Profitability Metrics</i></b>					
ROA (%)	16	26	<b>29</b>		
ROE (%)	30	56	<b>72</b>		

1 Attributable to stockholders of parent company, excluding minority interest.

2 EPS was calculated based on number of outstanding shares at that time.

# 1Q11 BALANCE SHEETS (CONSOLIDATED)

NT\$bn	Mar 31, 10	Dec 31, 10	Mar 31, 11	QOQ	YOY
TOTAL ASSETS	126.62	190.38	<b>221.68</b>	16.4%	75.1%
CASH <sup>1</sup>	71.89	74.90	<b>95.27</b>	27.2%	32.5%
AR	26.73	61.61	<b>61.76</b>	0.2%	131.0%
INVENTORY	8.64	26.41	<b>29.72</b>	12.5%	244.1%
OTHER ASSETS	19.36	27.46	<b>34.93</b>	27.3%	80.4%
TOTAL LIABILITIES	60.82	115.67	<b>131.85</b>	14.0%	116.8%
TOTAL EQUITY <sup>2</sup>	65.77	74.71 <sup>3</sup>	<b>89.83</b>	20.2%	36.6%
<b>METRICS</b>					
DAYS SALES OUTSTANDING	67	59	<b>55</b>	-6.8%	-17.9%
INVENTORY TURNOVER DAYS	35	36	<b>39</b>	8.3%	11.4%
DAYS PAYABLE OUTSTANDING	93	84	<b>81</b>	-3.5%	-12.9%

1 Includes cash equivalents.

2 Attributable to stockholders of parent company, excluding minority interest.

3 After the deduction of share buyback NT\$3.986bn.

# NEW PRODUCTS (1)



**HTC Desire S**



**HTC Wildfire S**



**HTC Incredible S**

## **HTC Desire S, Wildfire S, Incredible S**

*Continuation of the highly successful Desire, Wildfire, and Incredible series with enhanced features and an upgraded HTC Sense user interface*



**HTC Salsa**



**HTC ChaCha**

## **HTC Salsa, ChaCha**

*The first social phones with optimized Facebook experience*



**HTC Flyer**

## **HTC Flyer**

*HTC's first tablet with HTC Watch video service and HTC Scribe technology*

## NEW PRODUCTS (2)



### HTC EVO 3D

*HTC's first "glasses-free" 3D device*

- 4.3" qHD 3D Display and dual 5MP camera capable of watching 3D movies, taking 3D pictures and even capturing 3D videos
- Super fast 1.2Ghz Qualcomm Snapdragon dual core processor
- WiMax 4G technology
- All new HTC Sense



### HTC Sensation

*HTC's premium multimedia super phone*

- Unibody design; first contoured glass device with 4.3" qHD display
- Super fast 1.2Ghz Qualcomm Snapdragon dual core processor
- Cinema on the go with HTC Watch and full HD video capturing
- All new HTC Sense

# MANAGEMENT INITIATIVES

- Continue to strengthen organization on talent development, marketing strategy and operation; expand R&D capacity by adding 1,000 headcounts for the year
- Phase II branding development ahead of schedule; phase III brand development starts in 2Q 2011 – one year earlier than originally planned
  - Phase III brand development will extend Phase II's brand awareness to brand preference as well as establish retail preference via a holistic brand management strategy
- Content and Service
  - Content is becoming an important strategy of HTC's future core competency
  - Management aims to develop a unique and differentiated content experience
  - Phase I of our content strategy is to deliver HTC Watch video platform in 2Q
- Acquired 82 issued patents and 14 patents applications from ADC Telecommunications Inc. for US\$75 million – to strengthen wireless patent portfolio
- Expand manufacturing capacity by investing NT\$2.8 billion to build a new factory in Taoyuan and US\$64 million to increase capacity in China
- Formed strategic partnerships with suppliers to secure supply of key components

## 2Q11 BUSINESS OUTLOOK

- 2Q shipment expected to be around 11~11.5 mn units, up 103~113% yoy.
- 2Q revenue expected to be around NT\$120bn, up 97% yoy.
- GPM expected to be around 29%±0.5%.
- OPM expected to be in the range of 15.5%±0.5%.

htc  
*quietly brilliant*