

# WPG Holdings Ltd. (3702 TT/3702.TW) 1H10 Earning Release

Jul. 30th, 2010

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WPG Holdings Limited

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- **These forward-looking statements, which may include statements regarding WPG' future results of operations, financial condition or business prospects, are subject to significant risks and uncertainties and are based on WPG' current expectations.**
- **Actual results may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons, including, among other things: the cyclical nature of our industry; our dependence on introducing new products on a timely basis; our dependence on growth in the demand for our products; our ability to compete effectively; our ability to successfully expand our capacity; our dependence on key personnel; general economic and political conditions, including those related to the IC industry; possible disruptions in commercial activities caused by natural and human-induced disasters, including terrorist activity and armed conflict; and fluctuations in foreign currency exchange rates.**
- **In addition, any financial information contained here within is presented in conformity with accounting principles generally accepted in the Republic of China ("ROC GAAP").**
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# Agenda

- **Welcome** **Kathryn Chen**
- **2Q10 Financial Highlights & 3Q10 Outlook** **Cliff Yuan**
- **CEO Comments** **Simon Huang**
- **Q&A** **Simon Huang/  
Scott Lin/  
Cliff Yuan**

# Result Highlights

Unit:NT\$million

item	2Q10	2Q10 Guidance	1Q10	2Q09	QoQ(%)	YoY(%)
Net Sales	62,424	60~63B	58,047	47,096	7.5	32.5
Gross Margin	6.10%	5.6% ~ 5.8%	5.85%	5.84%	+26 bp	+27 bp
Operating Income	1,694		1,526	1,073	11.0	57.8
Operating Margin	2.71%	2.5% ~ 2.7%	2.63%	2.28%	+8 bp	+43 bp
Net Income	1,485		1,258	794	18.0	87.0
EPS (NT\$) <sub>(1)</sub>	1.66		1.41	0.89	18.0	85.6
Net Book Value (NT\$)	23.60					
<b>Total Assets</b>	<b>75,345</b>		<b>67,334</b>	<b>54,313</b>		
<b>Total Liabilities</b>	<b>54,145</b>		<b>46,018</b>	<b>35,936</b>		
<b>Total Equity</b>	<b>21,200</b>		<b>21,316</b>	<b>18,376</b>		
<b>Net Working Capital</b>	<b>34,287</b>		<b>28,306</b>	<b>21,786</b>		
<b>Free Cash Flow</b>	<b>(4,917)</b>		<b>(799)</b>	<b>(1,200)</b>		
<b>KEY Indices<sub>(2)</sub></b>						
ROWC	19.8%		21.6%	19.7%	-181 bp	+5 bp
NWC/Sales	0.14		0.12	0.12		
ROE	28.8%		24.3%	19.3%	+445 bp	+951 bp
Gearing	0.67		0.45	0.26		

(1).Weighted average shares outstanding

(2).Annualized

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# Income Statements

Unit:NT\$million

Item	2Q10	1Q10	QoQ(%)	2Q09	YoY(%)
Net operating Revenue	62,424	58,047	7.5	47,096	32.5
COGS	(58,614)	(54,654)	7.2	(44,347)	32.2
Gross Profit	3,811	3,394	12.3	2,750	38.6
Gross Margin	6.10%	5.85%		5.84%	
Operating Expenses	(2,117)	(1,867)	13.4	(1,676)	26.3
Operating Income	1,694	1,526	11.0	1,073	57.8
Operating Margin	2.71%	2.63%		2.28%	
Net Non-operating Items	29	40	(26.6)	(35)	182.3
Net Financing costs	(66)	(50)	31.1	(64)	2.6
Others	95	90		29	
Profit Before Tax/Minority	1,723	1,566	10.0	1,038	66.0
Tax	(231)	(302)	(23.6)	(238)	(3.0)
Minority/Accounting Principle Change	(7)	(6)		(6)	
Profit After Tax/Minority	1,485	1,258	18.0	794	87.0
Net Margin	2.38%	2.17%		1.69%	
EPS (NTD) <sub>(1)</sub>	1.66	1.41	18.0	0.89	85.6
Tax %	13%	19%		23%	

(1).Weighted average shares outstanding

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# Balance Sheet

WPG Holdings, Holding the World

Unit:NT\$million

item	2Q10		1Q10		2Q09	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	5,906	8	5,515	8	7,769	14
Accounts Receivable - Trade	38,408	51	33,762	50	25,506	47
Inventory	22,818	30	20,735	31	14,666	27
Current Assets	72,469	96	64,343	96	51,328	95
Others	2,875	4	2,991	4	2,985	5
<b>Total Assets</b>	<b>75,345</b>	<b>100</b>	<b>67,334</b>	<b>100</b>	<b>54,313</b>	<b>100</b>
Current Interest-bearing Debt	16,367	22	11,708	17	11,672	21
Accounts Payable	26,939	36	26,191	39	18,386	34
Accrued Liabilities and Others	6,012	8	3,653	5	3,453	6
Current Liabilities	49,318	65	41,552	62	33,510	62
Long-term Interest-bearing Debt	4,569	6	4,160	6	2,127	4
Others	258	0	306	0	299	1
<b>Total Liabilities</b>	<b>54,145</b>	<b>72</b>	<b>46,018</b>	<b>68</b>	<b>35,936</b>	<b>66</b>
<b>Total Equity</b>	<b>21,200</b>	<b>28</b>	<b>21,316</b>	<b>32</b>	<b>18,376</b>	<b>34</b>

## KEY Indices

Net Working Capital (\$)	34,287	28,306	21,786
AR Turnover (Days)	52	50	46
Inventory Turnover (Days)	31	30	33
AP Turnover (Days)	37	38	31
Average Collection Periods (Days)	46	43	48
Current Ratio	147%	155%	153%
Gearing Ratio	0.67	0.45	0.26

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# Cash Flows

Unit:NT\$million	<u>2Q10</u>	<u>1Q10</u>	<u>2Q09</u>
-Net Income <sub>(1)</sub>	1,479	1,264	800
-Changes of NWC	(6,041)	(1,128)	(1,771)
-Adjustment & Others	(355)	(934)	(229)
<b>From Operation</b>	<b>(4,917)</b>	<b>(799)</b>	<b>(1,200)</b>
-Financial Instrument	(112)	702	766
-Capital Expenditure	20	(28)	(1)
-Others	32	153	(41)
<b>From Investment</b>	<b>(61)</b>	<b>827</b>	<b>724</b>
-Financial Debt	4,984	(970)	1,108
-ESOP	2	2	8
-Others	(12)	(50)	(20)
<b>From Financing</b>	<b>4,974</b>	<b>(1,018)</b>	<b>1,095</b>
Cumulative translation adjustments	406	(101)	(822)
<b>Net Cash Position Change</b>	<b>403</b>	<b>(1,090)</b>	<b>(203)</b>
<b>Ending Cash Balance</b>	<b>5,826</b>	<b>5,423</b>	<b>7,315</b>

(1).Minority interest is included.

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# Result Highlights

Unit:NT\$million

item	1H10	1H09	YoY (%)
Net Sales	120,472	84,285	42.9
Gross Margin	5.98%	5.75%	+23 bp
Operating Income	3,220	1,822	76.8
Operating Margin	2.67%	2.16%	+51 bp
Net Income	2,743	1,336	105.4
EPS (NTD) <sub>(1)</sub>	3.06	1.53	99.7
<hr/>			
Total Assets	75,345	54,313	
Total Liabilities	54,145	35,936	
Total Equity	21,200	18,376	
Net Working Capital	34,287	21,786	
<hr/>			
Free Cash Flow	(5,715)	5,118	
<hr/>			
<b>KEY Indices<sub>(2)</sub></b>			
ROWC	18.8%	16.7%	+206 bp
NWC/Sales	0.14	0.13	
ROE	26.6%	16.2%	+1,037 bp
Gearing	0.67	0.26	

(1).Weighted average shares outstanding

(2).Annualized

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# Income Statements

Unit:NT\$million

Item	1H10	1H09	YoY(%)
Net operating Revenue	120,472	84,285	42.9
COGS	(113,267)	(79,436)	42.6
Gross Profit	7,204	4,849	48.6
Gross Margin	5.98%	5.75%	
Operating Expenses	(3,984)	(3,027)	31.6
Operating Income	3,220	1,822	76.8
Operating Margin	2.67%	2.16%	
Net Non-operating Items	69	(79)	(186.8)
Net Financing costs	(116)	(185)	(37.5)
Others	184	106	74.2
Profit Before Tax/Minority	3,289	1,742	88.8
Tax	(533)	(422)	26.1
Extraordinary Gain	-	23	N/A
Minority/Accounting Principle Change	(13)	(7)	86.8
Profit After Tax/Minority	2,743	1,336	105.4
Net Margin	2.28%	1.58%	
EPS (NTD) <sub>(1)</sub>	3.06	1.53	99.71
Tax%	16%	24%	

(1).Weighted average shares outstanding

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# Cash Flows

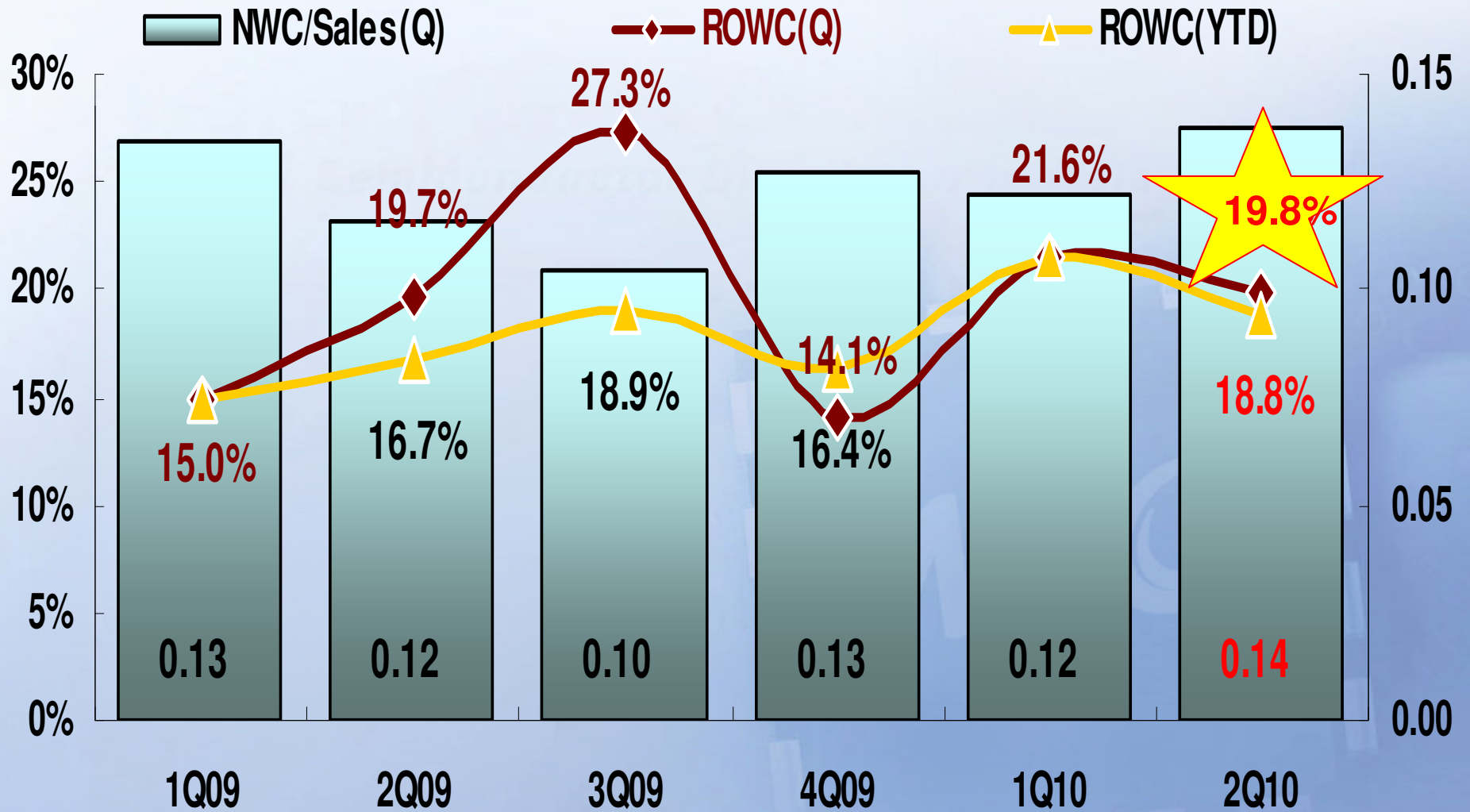
Unit:NT\$million

	<b>1H10</b>	<b>1H09</b>
	<b><i>Amount</i></b>	<b><i>Amount</i></b>
-Net Income <sub>(1)</sub>	2,743	1,342
-Changes of NWC	(7,169)	3,841
-Adjustment & Others	(1,289)	(66)
<b>From Operation</b>	<b>(5,715)</b>	<b>5,118</b>
-Financial Instrument	590	1,136
-Capital Expenditure	(8)	(12)
-Others	184	(26)
<b>From Investment</b>	<b>766</b>	<b>1,098</b>
-Financial Debt	4,014	(5,566)
-ESOP	4	18
-Others	(61)	(52)
<b>From Financing</b>	<b>3,957</b>	<b>(5,600)</b>
Effect on changes of consolidated subsidiaries	-	703
Cumulative translation adjustments	305	(92)
<b>Net Cash Position Change</b>	<b>(687)</b>	<b>1,226</b>
<b>Ending Cash Balance</b>	<b>5,826</b>	<b>7,315</b>

(1).Minority interest is included.

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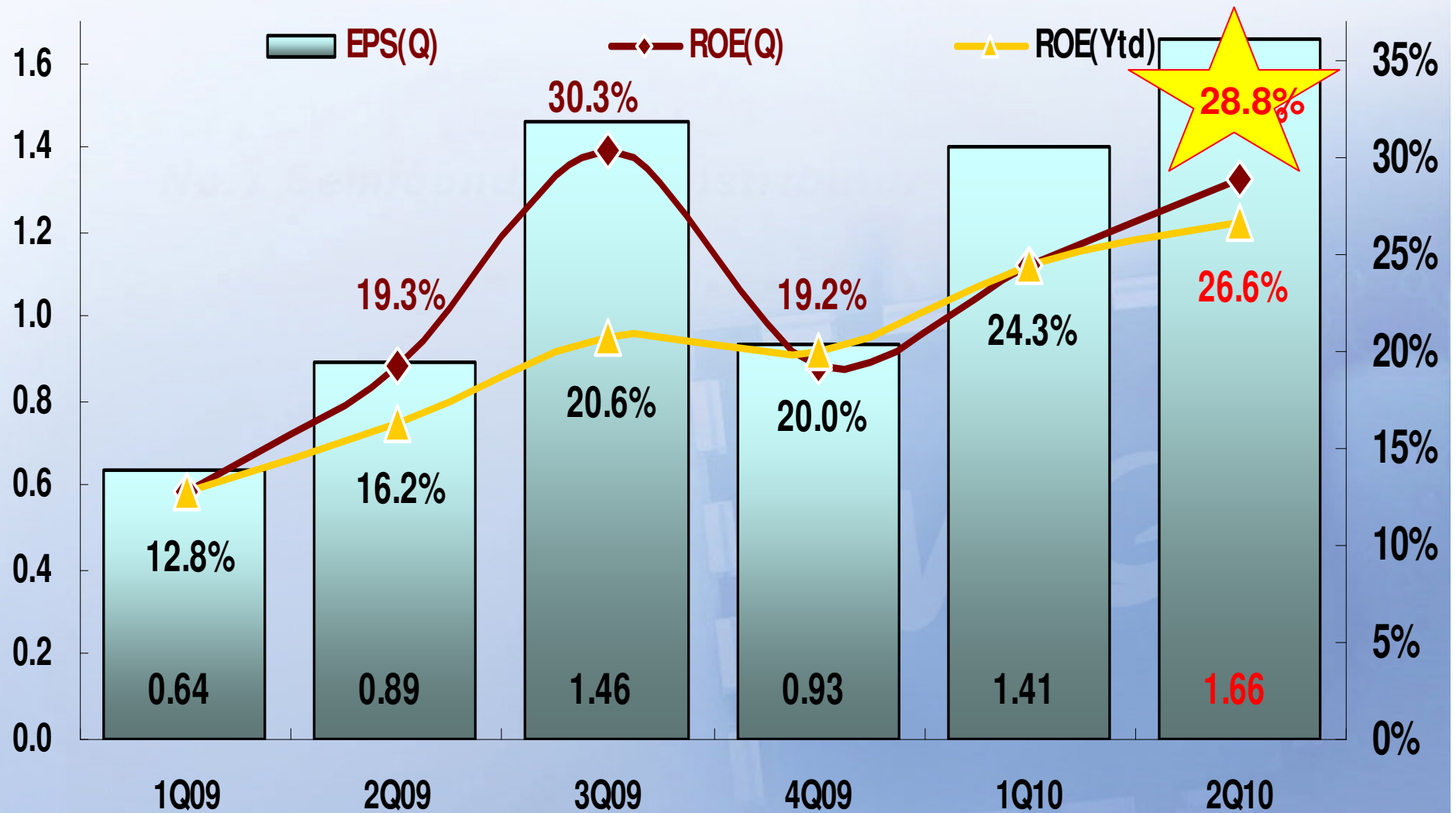
# ROWC vs. NWC/Sales



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Note : Annualized

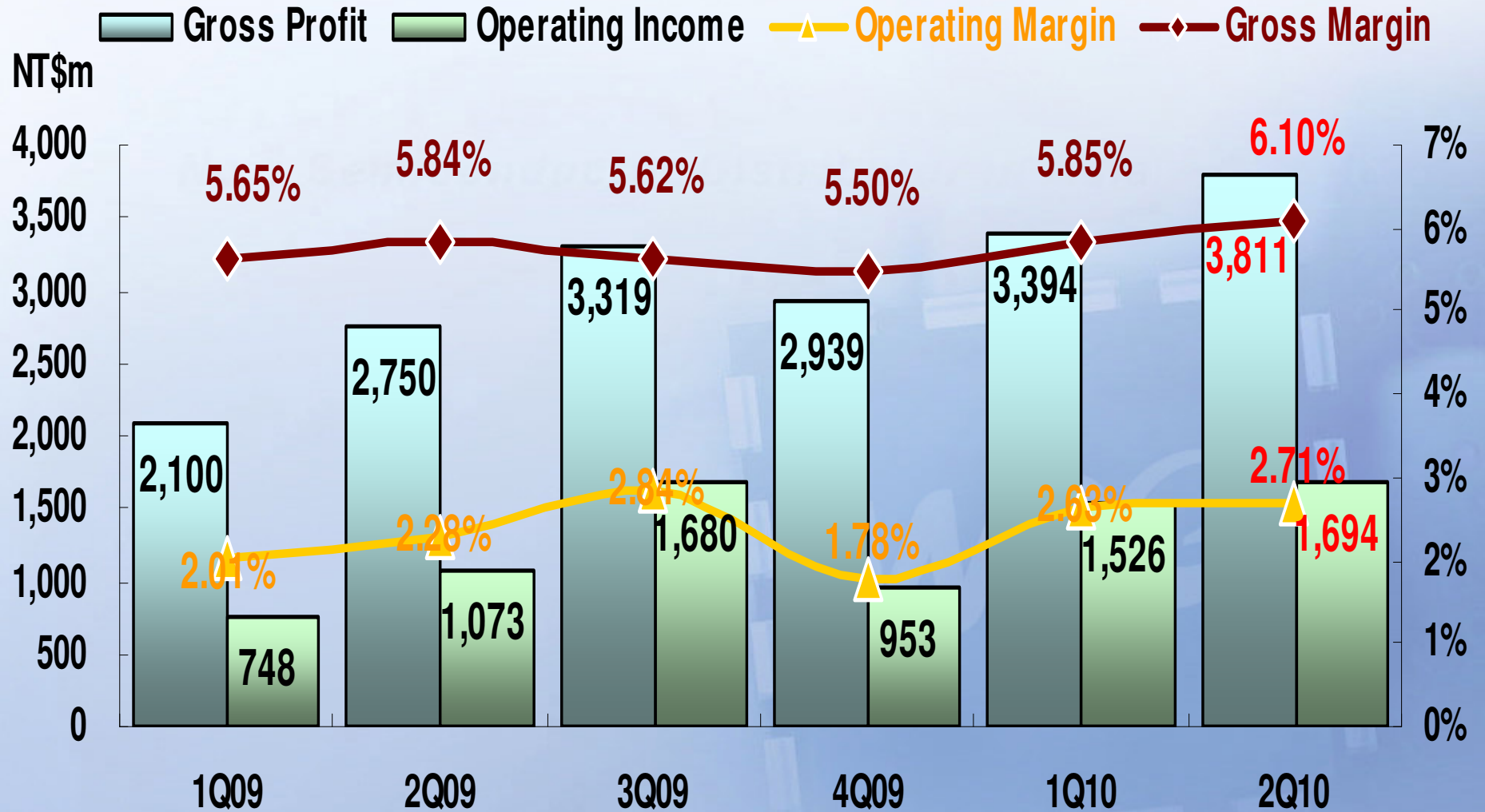
# ROE vs. EPS



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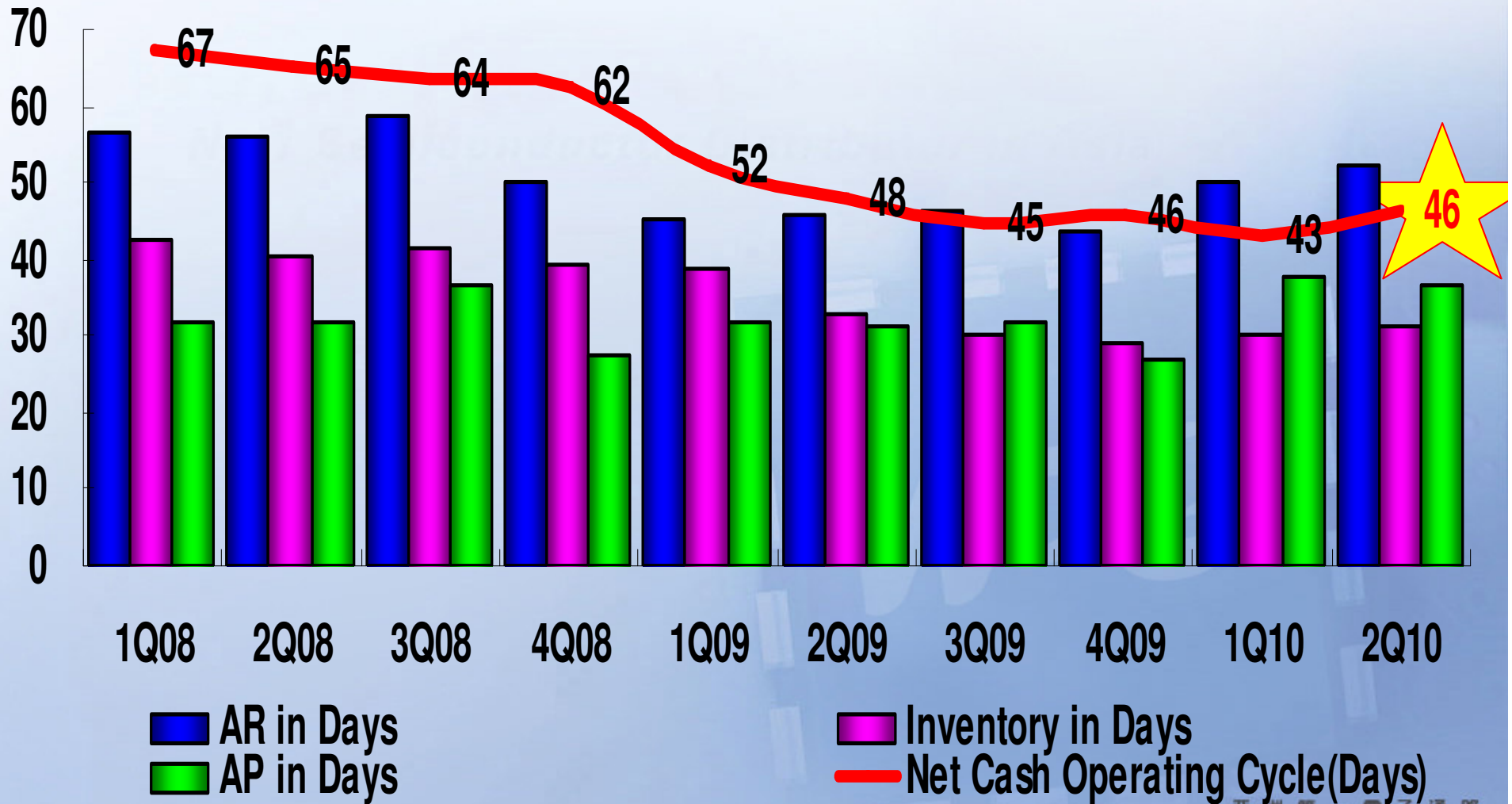
Note : Annualized

# Gross Margin vs. Operating Margin



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# Operating Cash Cycle



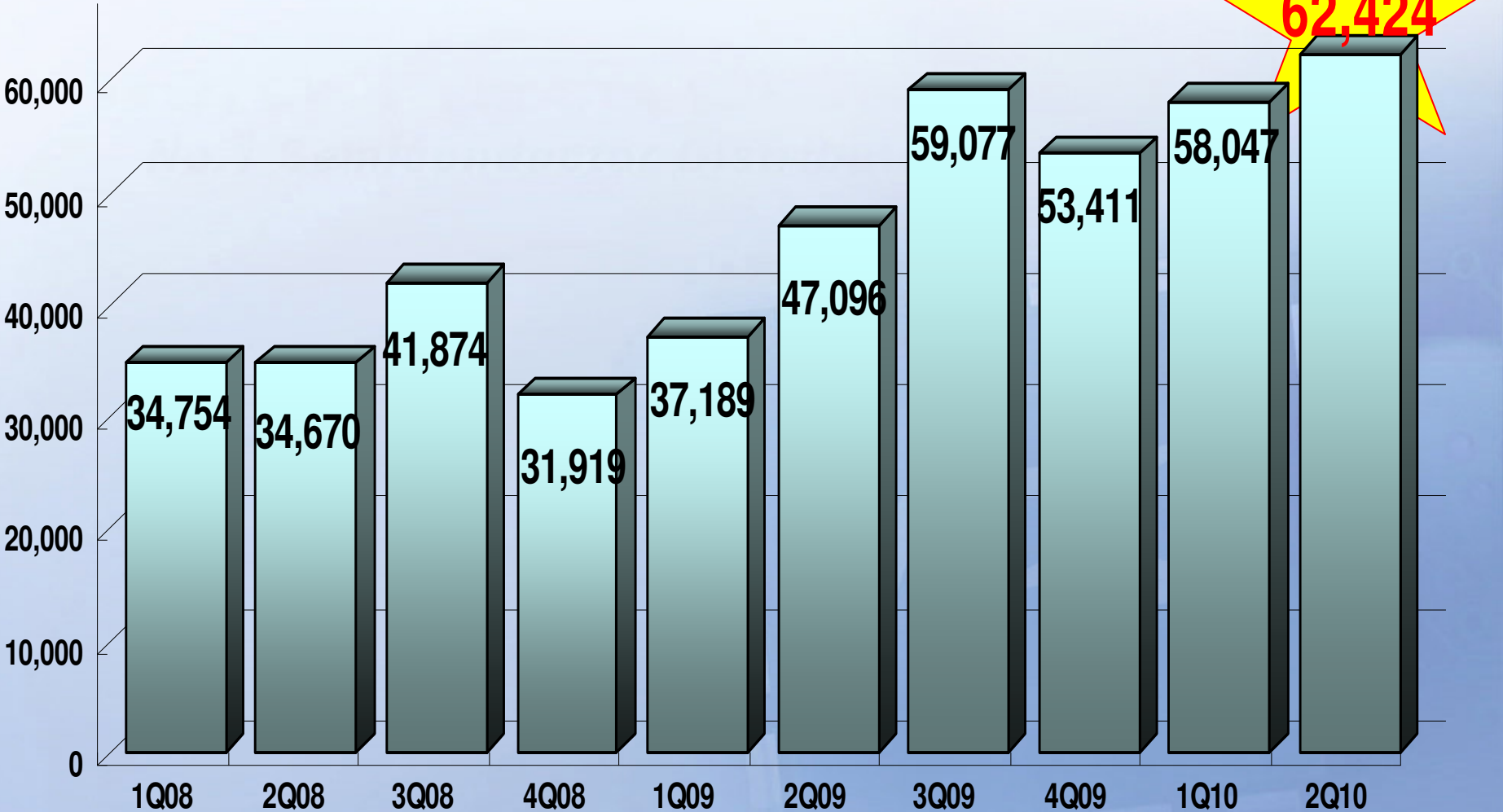
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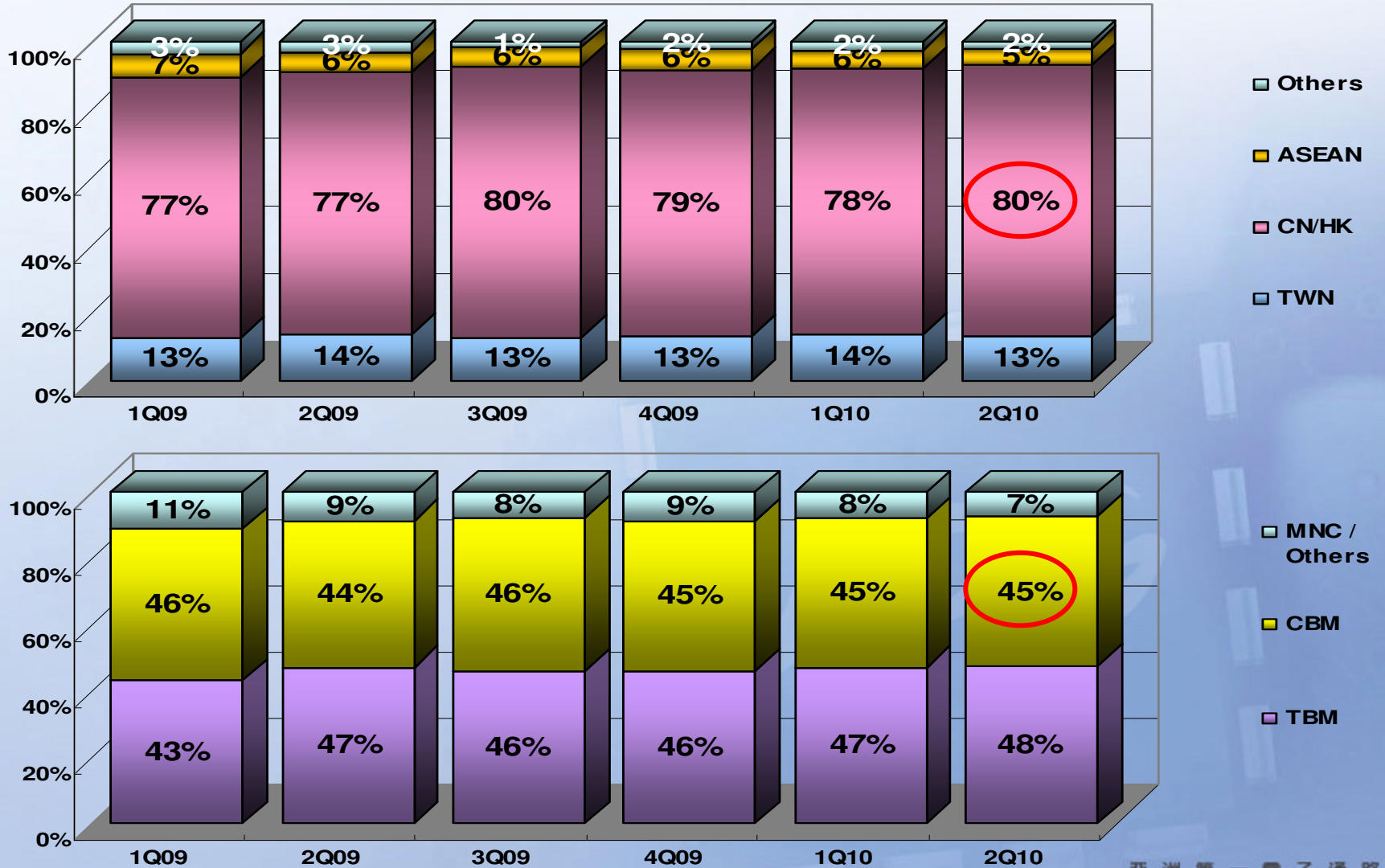
# Consolidated Revenue

Unit:NT\$m



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# Sales breakdown by Geography/Customer

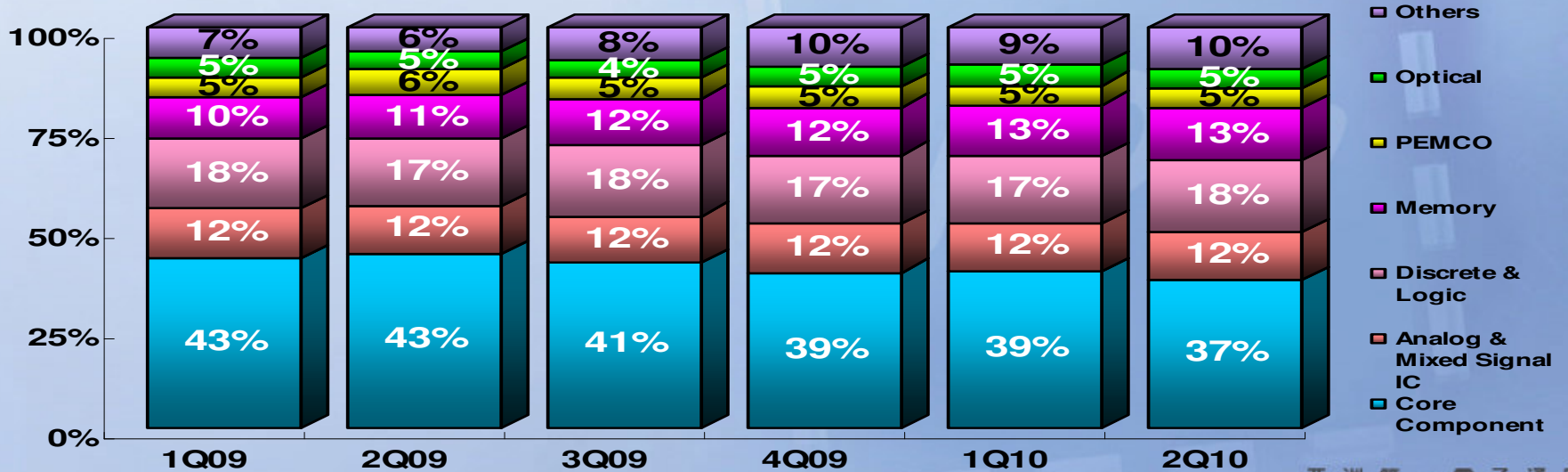
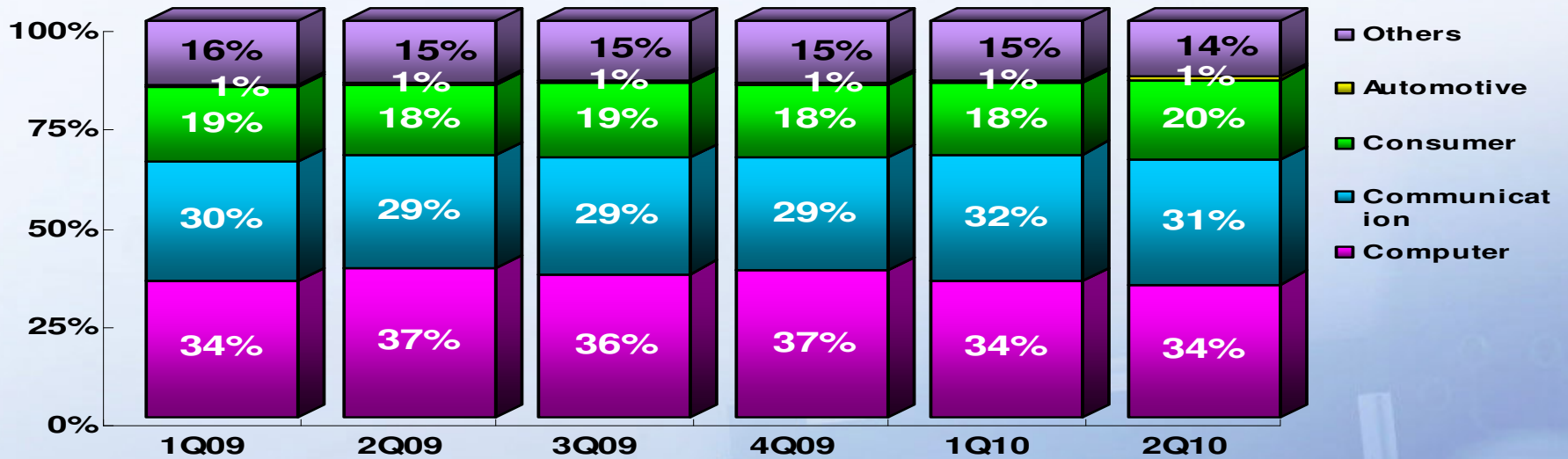


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TBM : Taiwan-Based Customers  
 CBM : China Based Customers



# Sales breakdown by Application/ Device Type



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# 3Q10 Guidance

Based on our current business outlook, management expects :

- Revenues to be between NT\$ **66** billion and NT\$ **69** billion at a forecast FX rate of 32 NT dollars to 1 US dollar averaged over 3Q10.
- Gross profit margin to be between **5.6%** and **5.8%**
- Operating profit margin to be between **2.6%** and **2.8%**

# Recap of Recent Major Events

## ■ 38 Solutions Launched in 2Q10 :



- ▶ 力推電容式觸控按鍵解決方案
- ▶ 推出 AIO PC 之主、被動元件最佳解決方案
- ▶ 推出一系列應用於 AIO 之電源管理解決方案
- ▶ 提出 AIO PC (PC Monitor)解決方案
- ▶ 力推搭配處理器的全新穩壓控制器家族
- ▶ 推出主機板 (Mother Board)之主、被動元件最佳解決方案
- ▶ 推出一系列主機板解決方案
- ▶ 提出主機板解決方案
- ▶ 提出小型筆記型電腦技術方案
- ▶ 提出小型筆記型電腦解決方案
- ▶ 針對小筆電 MOSFET 之解決方案
- ▶ 推出小型筆記型電腦之主、被動元件最佳解決方案
- ▶ 推出小型筆記型電腦應用整合方案
- ▶ 推出工業電腦 (IPC) 之主、被動元件最佳解決方案
- ▶ 推出整合式晶片組嵌入式高效能 Digital Signage 解決方案
- ▶ 推出一系列工業用電腦應用整合方案
- ▶ 提出工業電腦技術方案
- ▶ 提出工業用電腦解決方案



- ▶ 推出高清解碼 PMP 應用方案
- ▶ 力推 OFN(Optical Finger Navigation)解決方案
- ▶ 推出掌上型多媒體播放器(PMP)之主、被動組件最佳解決方案
- ▶ 力推 SPMP8000 系列多媒體播放器解決方案
- ▶ 力推手持式多媒體播放器(PMP)解決方案
- ▶ 提出掌上型多媒體播放器技術方案



- ▶ 力推可用于路由器之高效率電源降壓調節器解決方案
- ▶ 推出路由器 (Router)之主、被動元件最佳解決方案
- ▶ 推出 11b/g/n WiFi AP router 完整方案及應用
- ▶ 提出路由器技術方案
- ▶ 推出數字用戶線路 (xDSL)之主、被動組件最佳解決方案
- ▶ 力推可用于 Cable Modem 上低壓轉換 IC 解決方案
- ▶ 推出纜調制解調器(Cable Modem)之主、被動組件最佳解決方案



- ▶ 力推 LED 調光驅動 IC SSL2101 替換白熾燈調光方案
- ▶ 推出一系列單相電能表計量方案
- ▶ 力推在上網本電源解決方案
- ▶ 推出電源管理之主、被動元件最佳解決方案
- ▶ 推出 Summit SMB113A/SMB117A/SMB137B/SMB122 一系列電源管理晶片
- ▶ 推出一系列針對 N/B, AIO Adaptor (Input≥75W) 應用解決方案
- ▶ 提供一系列電源管理解決方案

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# Recap of Recent Major Events

- **New Franchise in 2Q10 :**



- Get ready for the best picture and sound ever from HDTV. Cables based on RedMere's chip technology are thinner, lighter and easier to hide from view after installation.



- The main product of APAQ is manufactured the solid electrolytic capacitor with super low ESR, high ripple current capability, high temperature and long endurance. APAQ group also cooperated with the customers for designing the capacitors of high voltage, v-chip, and capacitance.



- Current ATLab products are mainly focused on human input devices for PC, portable multimedia devices, home appliances and cellular phones. In addition, ATLab has other emerging devices such as audio input/output device and high-speed digital video transceiver.

- **SAC, subgroup of WPG, Proposes SAPL business acquisition in Cash (2010/05/25)**
- **WPG Holdings ranked “Worldwide No.3, APAC No.1 in 2010 TOP 25 Global Distributors” by EETimes (2010/05)**
- **WPG Holdings ranked “The Preferable Overseas Distributor No.1” by ESMC (2010/06)**
- **WPG Holdings ranked “12th Annual Tech 100 List No.11” by Bloomberg BusinessWeek (2010/06)**
- **WPG Annual Shareholder meeting Approved NT\$2.0 Cash Dividend Per Share & 18 percent Stock Dividend (180 shares for every 1,000 owned) (2010/06/21)**

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