



Fulgent Sun (9802) Announces FY2016 3Q Financial Results

Fulgent Sun: 2016 3Q EPS of NT\$0.84, reaching 3rd consecutive quarter of historical high

Accumulated first 3 quarter EPS increased 5x compared to last year, reaching NT\$3.60

New capacity addition and shipment for new customer in 4Q16 could drive revenue further higher to reach peak of 2016

Date :Oct 11t 2016

Key Points:

- Fulgent Sun's 2016 3Q consolidated revenue reached NT\$2.13bn. Net profit attributed to parent company arrived at NT\$113mn and EPS arrived at NT\$0.84. Accumulated revenue in the first 3 quarters of 2016 reached NT\$6.81bn with net profit attributed to parent company at NT\$479mn, EPS of NT\$3.60.
- Fulgent Sun's 3 major strategies are increasing efficiency at its new production lines, improving product mix and production diversification among its facilities which has helped deliver improving gross margins. Gross margins during the first 3 quarters of 2016 were 17.5%, 17.8% and 17.3%. Although there are still further room for improvement, gross margins have reached historical high for similar periods.
- Fulgent Sun continues to hold an optimistic view on 2016 Q4 outlook. Following continuing increase of capacity and shipments for new customers, Fulgent Sun expects revenues in 2016 Q4 to rise each month. Along with tight expense control, Fulgent Sun expects 2016 Q4 operational performance to reach highest level for 2016.

2016 Q3 review :

Fulgent Sun's 2016 3Q consolidated revenue reached NT\$2.13bn. Net profit attributed to parent company arrived at NT\$113mn and EPS arrived at NT\$0.84, setting a record high for 3 consecutive quarters. Accumulated revenue in the first 3 quarters of 2016 reached NT\$6.81bn with net profit attributed to parent company at NT\$479mn or EPS of NT\$3.60 which is a five-fold increase compared to same period last year and a record high since company's establishment.

2016 Q3 sales declined by 4% compared to 2016 Q2 as a result of seasonal product changes, traditional low season and production adjustments in preparation of new customers orders. While there is still room for improvement, the margins for the first 3 quarters of 2016 were 17.5%, 17.8% and 17.3% and with new production coming online, Fulgent Sun expects to maintain its profitability as a result of efficient learn curve management. If stripping out one time expenses related to capital raising (subscribed by employees) in 2016 Q3, amounting to NT\$11.33mn, 2016 Q3 operating expense would be similar to first 2 quarters of 2016 as a result of company's expense

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management. As revenues continue to grow, we believe there could be more economies of scale and operating leverage.

Fulgent Sun continues to be committed to improving its production efficiency, customer mix adjustments and production diversification. The operating effect delivered by these actions include: 1) Cambodia plant continuing to earning profits for each quarter; 2) Similar to 2016 H1, outdoor functional shoes remains above 90% of revenue in 2016 3Q; 3) Non-China production value has surpassed China production value for the first time contribution to 51% of production value. As capacity further ramps up in Cambodia and Vietnam, non-China contribution is expected to further increase, helping the company further diversify its production and allow more flexibility in going after orders as well as cost control.

Outlook for 2016 Q4 :

Fulgent Sun continues to hold an optimistic view on 2016 Q4. While customers requested delivery schedule could suggest the monthly growth trends could be similar to last year, the ramp up of production in Cambodia and Vietnam as well as addition of new customers like Under Armour, TOMS, KEEN, etc. could help Fulgent Sun delivery consecutive monthly growth in 2016 Q4 (2017 Spring/Summer product shipment is expected to reach peak during December or January). These developments could support 2016 Q4 operating performance to potentially reach a peak for 2016. Company continues to remain committed to the 3 key strategy of stable capacity expansion, raising of production efficiency and product mix improvement. In 2015, Fulgent Sun targeted volume increase while in 2016 the company worked on raising quality and profitability to support the goal of focusing on volume increase while raising quality/profitability.

Fulgent Sun (9802) 3Q 2016 Financial Results :

NTD ; %

	2016/3Q	2015/3Q	2016/1-3Q	2015/1-3Q
Total Revenue (mn)	2,125	2,323	6,812	7,016
Net Income (mn)	112	55	479	88
EPS (\$)	0.84	0.43	3.60	0.67