



*Fulgent Sun (9802) Announces FY2020 4Q Unaudited Financial Result*

**Fulgent Sun: 4Q20 sales, gross margin and operating profit margin each marked the second-highest record.**

**Earnings per share after tax still sat at NT\$1.01 after the deduction of non-operating foreign exchange valuation loss of \$0.61 per share.**

**2020 annual gross margin reached a record-high of 21.0%, while an annual operating profit margin of 11.2% became the second highest in history, with annual EPS being at \$5.06**

2021/1/20, Douliu

Fulgent Sun International (Holding) Co., Ltd. ("Fulgent Sun", TWSE: 9802) today announced its unaudited results for 4Q20.

#### **Key Points**

- Fulgent Sun's unaudited consolidated sales were down 13.9% annually to NT\$2.98 billion in 4Q20, or an 8.81% year-on-year decline in terms of US dollars. 4Q20 Gross margin decreased 3.3 percentage points to 20.2%, while operating profit margin dropped 3.5 percentage points to 11.8%. Both 4Q20 gross margin and operating profit margin remain the second highest compared with previous periods. With regard to 4Q20, global shortage of containers not only lowered sales, but also slowed down effects of the economies of scale. To cope with increasing orders in 2021, costs of continuous, large-scale recruitment, and short-term training also rose. Meanwhile, the appreciation of Chinese Yuan and New Taiwan Dollars also affected the group's financial performance. However, thanks to improvement in operation and management efficiency, 4Q20 operating profit margin rose to 11.8%, compared with 9.8% in 2Q20, and 10.3% in 3Q20. The appreciation of Chinese Yuan resulted in a non-operating foreign exchange valuation loss of \$0.61 per share, therefore, net profit attributable to the parent company after tax was NT\$186.176 million, while EPS after tax was \$1.01. If non-operating foreign exchange valuation loss were not taking into account, 4Q20 EPS would be \$1.62.
- 2020 Annual sales fell 11.7% year-on-year to NT\$11.35 billion, or decreased 7.53% annually in respect to US dollars. Nonetheless, this is still Fulgent Sun's second highest annual sales in history. Given that profitability keeps improving, annual gross margin increased 1.3 percentage points to a record 21.0%. Annual operating profit margin decreased 0.1 percentage points annually to 11.2%, but still the second-highest compared with previous periods. Once ruling out the costs of one-time employee stock ownership fees of 3Q20, which are around \$45 million, annual operating profit margin could be 11.6%, the highest compared with previous records. 2020 net profit attributable to the parent company after tax were \$898 million, the second highest of all time. Annual EPS after tax was at \$5.06. Once excluding the costs of

*Fulgent Sun (9802) Announces FY2020 4Q Unaudited Financial Result*

one-time employee stock fees and non-operating foreign exchange valuation loss, 2020 EPS would be \$6.37. To sum up, although the group's financial performances were affected by the serious outbreak of COVID-19 and foreign exchange losses in 2020, operation and management efficiency has been taking effects gradually.

- In regard to Fulgent Sun's non-operating foreign exchange valuation loss, the Chinese Yuan to US dollars exchange rate rose 7.6% in 2H20, which resulted in a decline of \$1.05 on annual EPS. However, most of these losses are unconsummated. If the Chinese Yuan to US dollars exchange rate bounces back, the group's foreign exchange valuation gain might occur. Since the group's plants in China contribute around 30% of overall sales, and use the Chinese Yuan as functional currency, non-Chinese Yuan assets and liabilities are required to be reviewed according to standards of IFRS, which have cumulative net assets of around US\$70~80 million. Therefore, when the Chinese Yuan to US dollars exchange rate climbs, foreign-exchange losses occur on financial reports. To be more specific on the group's foreign currency hedging strategies, the managing team has always kept a humble and practical mindset in the face of everchanging foreign exchange market, and would not exaggerate or create a hedge position by using fancy financial tools or rashly guessing at the foreign currency trend. In order to distribute real demand of different currencies appropriately and lower the portion of sectors for reviewing, the group has been using various currencies for procurement, managing loans, and diversifying its production bases.
- As for Fulgent Sun's allocation of production capacity in 2020, China accounted for 29.5%, while Vietnam made up 49.2%, with the remaining 21.3% consisting of Cambodia. Thanks to the group's steady expansion in production capacity, diversifying production bases, improvement on production portfolio and other strategies in recent years, capacity outside of China climbed from 2018's 60%, 2019's 66%, to 2020's 70%. In terms of market distribution, or destinations assigned by brand customers, Europe remained the largest market for the group, consisting of 48.5% of consolidated sales in 2020. Contribution on consolidated sales from greater America region has been advancing over the years, making up 36.5% in 2020. The group continuously strengthens the development of new products with global well-known brand customers, and maintains positive demand and delivery conditions with all brand clients. The 2021 overall shipment of spring/summer shoes, and autumn/winter shoes, which are normally shipped between April and October, has remained robust. Plenty of new brand clients will join the group's developing and production lines in this year, which are expected to contribute to overall sales positively.

*Fulgent Sun (9802) Announces FY2020 4Q Unaudited Financial Result*

- Since Fulgent Sun was established in 1995, the group has been through various international financial crises, including 1997 Asian financial crisis, global financial crisis in 2008, multi-year European debt crisis, US-China trade dispute since 2018, and the outbreak of COVID-19 in early 2020. The group has always responded quickly, made decisions efficiently, taken practical, precise measures to deal with challenges and changes from outside, and further turns crises into opportunities. Therefore, the group can consistently improve and enter a new milestone after various challenges, and is ought to overcome the influence of COVID-19. Looking back on the group's performance from 2016 to 2020, annual sales reached NT\$9.08 billion in 2016 after plants in Cambodia joined the production lines. In 2017, annual sales surpassed \$10 billion. Earnings per share had been more than \$5 for the past five years, while average payout ratio each year remained around 70%. Annual gross margin used to fluctuate between 18% to 20% in previous years, but climbed to 21% in 2020. Operating profit margin had been more than 11% for two consecutive years. Progress in financial performance suggests the group's operation scale has excelled greatly.
- Regarding the overall operating result of 2020, Fulgent Sun decided to slow down rhythms of production and marketing when COVID-19 broke out in the early of the year. In 2Q20 the group was preparing for recovery, and began to accelerate in 2H20. Although there were fluctuations in foreign exchanges, while global shortage of containers also affected delivery schedule and other exterior challenges, the group has always insisted on its original intention and creating values. All decisions and layout were the group's all-round, practical measures after careful consideration. Therefore, 2020 operating expense ratio remained in single digits. On the other hand, achieving an operating profit margin of double-digits have been one of the group's specific goals. The group aims for continuously utilizing the advantages of taking orders from various brands and manufacturing at different bases. Under the production model of customized orders, the group is capable of adjusting its schedule when clients ask for delay in delivery, and can focus on raising production efficiency and lowering production costs. Appropriate decisions and measures made last year suggest the team's solid strength in operating and managing, and the group's high flexibility in organizing. Thanks to these positive factors, Annual gross margin surged to a record 21.0% in 2020, which is 1.3 percentage points higher than 2019's gross margin, and 3 percentage points above 2018's figure. 2020 operation profit margin and net profit margin were also at a high level compared with previous years.

*Fulgent Sun (9802) Announces FY2020 4Q Unaudited Financial Result*

- Looking forward to 2021, Fulgent Sun Group remain optimistic about that COVID-19 has been a great catalyst with regard to the importance of outdoor sports and leisure attached by customers. As COVID-19 transforms people's life styles and shopping habits, more people realize the importance of achieving both economic development and good health. Trends of outdoor sports and leisure, including mountain climbing, outdoor jogging and tracking, biking, workout, all sorts of ball sports and so forth have become more popular worldwide, with quality lifestyles becoming a common goal and health consciousness rising. People tend to focus more on functional, comfortable shoes and improve dress sense, instead of simply looking for fast fashion products. Since 2H20, Fulgent Sun has been speeding up expanding the group's production capacity, and vigorously upgrading its soft and hard power, including investment layout in environmental, social and corporate governance. In addition, Fulgent Sun has been continuing to accelerate the introduction of automated production and the development of new shoes, expected to be able to stably expand production capacity and make the Group's development blueprints and plans of next stage. Furthermore, the group's partnership with brand customers has strengthened through the pandemic recently, and the development capability and capacity are expected to advance to a new milestone thanks to concerted efforts from all managing and operation team members. Also, the group's competitive advantages of multi-plants orders and flexible allocation of capacity shall be exerted well.
- Among the evaluation of company management conducted by Taiwan Stock Exchange, Fulgent Sun has been a front-runner every year, and is among the top 20% company in terms of management efficiency in the most recent ranking. The managing group has been continuously focusing on improving the rights of shareholders, strengthening the functions of board of directors, fulfilling corporate social responsibility, raising the transparency of information and following related laws and principles. The company aims to achieve the managing concept of cultivating with persistence, and developing with wisdom. Fulgent Sun will keep on devoting to pursuing innovation and sustainable growth, improving management efficiency, fulfilling corporate social responsibilities, and most importantly, substantially rewarding every shareholder with earnings results.

**Fulgent Sun (9802) Announces FY2020 4Q Unaudited Financial Result**

(Appendix) Fulgent Sun (9802) 4Q 2020 Unaudited Financial Results :

(In NTD '000 : %)

	2020/Q4	2019/Q4	YoY	2020	2019	YoY
Consolidated Sales	2,979,227	3,460,902	-13.9	11,345,641	12,842,525	-11.7
Gross Profit	602,079	814,890	-26.1	2,382,004	2,528,606	-5.8
Gross Profit Margin (%)	20.2%	23.5%	-	21.0%	19.7%	-
Operating Expenses	249,557	283,922	-12.1	1,108,917	1,071,631	3.5
Operating Expense (%)	8.4%	8.2%	-	9.8%	8.3%	-
Operating Profit	352,522	530,968	-33.6	1,273,087	1,456,975	-12.6
Operating Profit Margin (%)	11.8%	15.3%	-	11.2%	11.3%	-
Non-operating Revenue & Expenses	-131,227	-79,469	65.1	-224,101	55,194	-506.0
Net Income	186,176	371,052	-49.8	895,514	1,276,511	-29.8
Net Income attributed to parent company	186,877	371,418	-49.7	897,575	1,279,195	-29.8
EPS	1.01	2.14	-52.8	5.06	7.81	-35.2
Exchange rate effect	-0.61	-0.39	-	-1.05	0.16	-
Excluding exchange rate effect	1.62	2.53	-36.0	6.11	7.65	-20.1

**About Fulgent Sun**

Fulgent Sun International (Holding) Co., Ltd. ("Fulgent Sun", TWSE: 9802) was established in 1995, principally engaged in foundry production and distribution of sports shoes and outdoor shoes. There are more than 40 international well-known brand customers. Its headquarters is located at Douliu City, Yunlin County, Taiwan. There are six factories which spread throughout China, Vietnam, and Cambodia.

**Forward Looking Statements**

Some of the statements contained in this press release may be considered forward-looking statements. These statements identify prospective information. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. These forward-looking statements are subject to a number of factors that may cause actual results to differ materially from the expectations described, which include but are not limited to economic, competitive, market, currency, governmental and financial factors. Fulgent Sun International (Holding) Co., Ltd. assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws.