

Fulgent Sun (9802) Announces FY2019 4Q Financial Result

Fulgent Sun: 4Q19 Operating profit margin 15.3% (+QoQ 4.3%), reaching a record high

2019 annual revenue and profits increased significantly with 72.2% growth in net profit and an EPS of \$7.81

2020/01/15, Douliu

Fulgent Sun International (Holding) Co., Ltd. ("Fulgent Sun", TWSE: 9802) today announced its unaudited results for 4Q19.

Key Points

- Fulgent Sun's 4Q19 unaudited consolidated sales was NT\$3.46 billion (+YoY 28.42%) reaching a record high in the single quarter, while the company facing the impact of NTD appreciation. With the synergy of effective management, the gross profit margin and operating profit margin in the fourth quarter had gone up to 23.5% and 15.3%, respectively. The operating profit margin had not only rose sharply by 4.3% from the 11.0% in the third quarter; also, the operating profit was increased by 93.82% to reach NT\$530 million over the same period, a record high in the single quarter. However, due to the rapid depreciation of the U.S. dollar at the end of the fourth quarter, the foreign exchange loss of the company was as high as NT\$67.22 million (although most of them are unrealized positions, but still affect the EPS by NT\$0.39), resulting in EPS decreased from NT\$2.53 to NT\$2.14 (EPS excluding exchange rate effect was NT\$2.53, exchange loss was NT\$0.39) in the single quarter. Although EPS was lower than the NT\$2.44 in the third quarter (EPS excluding exchange rate effect was NT\$1.96, exchange gain was NT\$0.48), the consolidated revenue and the operating profit were increased significantly, and the increase in operating profits was better than the increase in revenues, and the gross profit margin, operating profit margin, and net profit margin had all gone up, a record high of the same period.
- The Group under the clear growth trend of the production and sales had successfully increased income and reduced expense in 2019. Operating performance in each quarter was solid and strong. The monthly revenue had grown in double-digit for 10 consecutive months with an income of NT\$12.84 billion (+YoY 27.5%), operating profit of NT\$1.46 billion (+YoY 74.6%), net profit of NT\$1.28 billion attributable to the parent company (+YoY 72.2%), and EPS of NT\$7.81 (+YoY 53.1%) generated in 2019, a record high. Further examining the relevant profitability, the gross profit margin had gone up from 18.0% in 2018 to 19.7% in 2019; also, under the dual

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benefits of pragmatic and strict control of expenses by the management team and effective economies of scale, the expense rate was dropped from 9.7% in 2018 to 8.3% in 2019, representing a drop of 1.4%, so the operating profit margin had gone up from 8.3% in 2018 to 11.3% in 2019, representing an increase of 3.0% and a record high of annual profit.

- The capacity of China, Vietnam, and Cambodia accounted for 34.0%, 42.0%, and 24.0% in 2019. New production line outside China has been successfully launched as scheduled with the learning curve gradually overcome, so the capacity has been increased to account for two-thirds. The capacity of the Vietnam plant surpassed that of China for the first time, and the Cambodia plant has also caught up and is in line with the Group's phased plan. In terms of the regional (destinations designated by brand customers) sales ratio, Pan-Europe has always been the main market, while Pan-America has been the fastest growing market. The revenue and proportion of Pan-Europe had reached NT\$5.31 billion (52.7%) and NT\$5.84 billion (45.5%) in 2018 and 2019, respectively, while Pan-America had been developed successfully year after year, reaching NT\$3.12 billion (31.0%) and NT\$4.61 billion (35.9%), respectively in the same period. The multi-brand sales strategy has indeed helped optimize product portfolios, expand operation scale, and diversify sales regions with a diversified and positive effect resulted.
- In prospect, the company will continue to maintain a cautious and optimistic view in business operation, the global outdoor sports trend remains, and the sample development and mass production demand by new and existing brand customers will still be strong. Therefore, the capacity of each plant will be maintained at high level and the overall operation growth is expected. Moreover, based on the solid cooperation and benign interaction established with brand customers over the years, the capacity expansion rate should be matched with the order growth rate interactively, so the Group's capacity expansion plan will be increased by 15%-20% annually, and the Group will strive to exercise multiple competitive advantages, including diversified sales strategies and flexible plant deployment.

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Fulgent Sun (9802) 4Q 2019 Financial Results :

(In NTD '000)

	2019/Q4	2018/Q4	YoY	2019	2018	YoY
Consolidated Sales	3,460,902	2,694,909	28.4	12,842,525	10,070,151	27.5
Gross Profit	814,890	540,992	50.6	2,528,606	1,813,019	39.5
Gross Profit Margin (%)	23.5%	20.1%	—	19.7%	18.0%	—
Operating Expenses	283,922	267,046	6.3	1,071,631	978,631	9.5
Operating Expense (%)	8.2%	9.9%	—	8.3%	9.7%	—
Operating Profit	530,968	273,946	93.8	1,456,975	834,388	74.6
Operating Profit Margin (%)	15.3%	10.2%	—	11.3%	8.3%	—
Non-operating Revenue & Expenses	-79,469	-20,342	290.7	55,194	95,434	-42.2
Net profit	371,052	190,418	94.9	1,276,511	737,286	73.1
Net profit attributed to parent company	371,418	193,183	92.3	1,279,195	743,001	72.2
EPS	2.14	1.32	62.1	7.81	5.10	53.1
Exchange rate effect	-0.39	0.04	—	0.16	0.61	—
Excluding exchange rate effect	2.53	1.28	97.7	7.65	4.49	70.4

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.