

Financial Analysis

Consolidated financial analysis (2012-2015) – Based on IFRS

		2012	2013	2014	2015
Financial structure	Liability to asset ratio (%)	42.58	57.70	56.69	58.17
	Long-term fund to PP&E ratio (%)	170.33	182.99	199.33	192.85
Solvency	Current ratio (%)	79.43	50.33	61.41	57.67
	Quick ratio (%)	68.95	42.98	54.49	49.86
	Interest coverage ratio (%)	6,104.36	4,911.23	3,219.10	2,585.36
Operations	Accounts receivable turnover (x)	6.72	6.14	5.66	5.57
	Average collection days	54.31	59.44	64.48	65.52
	Inventory turnover (x)	13.05	12.00	12.19	12.46
	Accounts payable turnover (x)	9.01	9.53	10.03	11.11
	Average days sales	27.96	30.41	29.94	29.29
	Property, plant and equipment turnover (x)	2.45	2.54	2.51	2.46
	Total asset turnover (x)	0.99	0.79	0.77	0.75
Profitability	Return on assets (%)	16.99	13.53	11.00	10.84
	Return on equity (%)	29.48	27.34	25.51	26.19
	Pre-tax income as a % of paid-in capital	58.29	55.89	54.87	53.10
	Net income margin (%)	16.59	14.49	13.79	13.92
	EPS (NT\$)	6.07	5.79	5.56	5.76
Cash flow	Cash flow ratio (%)	86.82	42.37	53.00	43.57
	Cash flow adequacy ratio (%)	129.18	111.11	106.30	99.96
	Cash reinvestment rate (%)	9.63	6.18	7.50	5.43
Leverage	Operating leverage	2.07	2.13	2.66	2.84
	Financial leverage	1.02	1.02	1.03	1.04
Others	EBITDA (NT\$'000) (Note)	30,529,287	31,003,599	31,295,941	32,284,941
	EBITDA margin (%) (Note)	30.61	28.60	27.79	27.80

Explanation of significant changes in 2015 compared with the previous year:

- (1) The rise in borrowings led to increased interest expenses and a lower interest coverage ratio.
- (2) The cash reinvestment rate declined due to lower operating cash inflows in 2015.

Note: The 2014 and 2013 data do not include discontinued operations.

Stand-alone financial analysis (2012-2015) – Based on IFRS

		2012	2013	2014	2015
Financial structure	Liability to asset ratio (%)	42.61	57.20	57.15	58.32
	Long-term fund to PP&E ratio (%)	228.82	265.54	270.52	258.53
Solvency	Current ratio (%)	54.21	34.63	28.64	33.17
	Quick ratio (%)	46.49	29.92	24.32	25.76
	Interest coverage ratio (%)	4,841.74	3,835.17	2,726.79	2,426.13
Operations	Accounts receivable turnover (x)	5.39	5.10	5.38	5.58
	Average collection days	67.71	71.56	67.84	65.41
	Inventory turnover (x)	10.10	11.13	11.42	8.34
	Accounts payable turnover (x)	10.28	11.46	12.34	13.52
	Average days sales	36.13	32.79	31.96	43.76
	Property, plant and equipment turnover (x)	2.27	2.69	2.67	2.58
	Total asset turnover (x)	0.71	0.59	0.59	0.59
Profitability	Return on assets (%)	17.73	13.71	11.28	11.49
	Return on equity (%)	29.48	27.34	25.51	26.19
	Pre-tax income as a % of paid-in capital	53.52	48.49	46.02	49.01
	Net profit margin (%)	23.37	19.74	18.38	18.74
	EPS (NT\$)	6.07	5.79	5.56	5.76
Cash flow	Cash flow ratio (%)	58.81	21.31	32.37	28.39
	Cash flow adequacy ratio (%)	128.55	103.57	89.23	77.55
	Cash reinvestment rate (%)	3.22	-	1.25	0.75
Leverage	Operating leverage	2.02	2.64	5.89	3.28
	Financial leverage	1.03	1.06	1.12	1.06

Explanation of significant changes in 2015 compared with the previous year:

- (1) The decline in inventory turnover and increase in average days sales were both due to the higher inventory at year-end to meet robust handset sales.
- (2) The cash reinvestment rate declined due to lower operating cash inflows in 2015.
- (3) The operating leverage decreased due to a rising operating income resulting from lower operating expenses in 2015.

Note: The 2012-2015 financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) PP&E turnover = Net revenue / Average net PP&E
- (7) Total asset turnover = Net revenue / Average total assets

Profitability

- (1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years (2009-2011 numbers were calculated based on ROC GAAP)
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital)
(Note: Use zero if working capital value is negative)

Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

(1) EBITDA = Operating income + Depreciation + Amortization

(2) EBITDA margin = EBITDA / Net revenue

Consolidated financial analysis (2011-2012) – Based on ROC GAAP

		2011	2012	
Financial structure	Liability to asset ratio (%)	45.46	44.99	
	Long-term fund to fixed asset ratio (%)	131.98	146.88	
Solvency	Current ratio (%)	50.20	64.72	
	Quick ratio (%)	42.04	53.21	
	Interest coverage ratio (%)	6,796.94	5,511.22	
Operations	Accounts receivable turnover (x)	10.35	11.81	
	Average collection days	35.27	30.91	
	Inventory turnover (x)	11.39	13.24	
	Accounts payable turnover (x)	9.73	8.96	
	Average days sales	32.05	27.57	
	Fixed asset turnover (x)	1.99	2.46	
	Total asset turnover (x)	0.89	1.06	
Profitability	Return on assets (%)	15.60	16.50	
	Return on equity (%)	26.99	29.78	
	% of paid-in capital	Operating income	51.42	54.77
		Pre-tax income	47.15	52.54
	Net profit margin (%)	16.75	15.18	
EPS (NT\$)	4.70	5.46		
Cash flow	Cash flow ratio (%)	69.93	84.16	
	Cash flow adequacy ratio (%)	154.74	130.24	
	Cash reinvestment rate (%)	14.50	12.40	
Leverage	Operating leverage	1.97	2.14	
	Financial leverage	1.01	1.02	
Others	EBITDA (NT\$'000)	27,086,632	26,985,307	
	EBITDA margin (%)	33.29	27.47	

Stand-alone financial analysis (2011-2012) – Based on ROC GAAP

		2011	2012	
Financial structure	Liability to asset ratio (%)	42.23	45.93	
	Long-term fund to fixed asset ratio (%)	169.34	201.57	
Solvency	Current ratio (%)	34.59	40.77	
	Quick ratio (%)	28.47	32.04	
	Interest coverage ratio (%)	6,314.20	4,343.60	
Operations	Accounts receivable turnover (x)	9.76	10.22	
	Average collection days	37.39	35.71	
	Inventory turnover (x)	10.37	10.09	
	Accounts payable turnover (x)	12.26	10.28	
	Average days sales	35.19	36.17	
	Fixed asset turnover (x)	1.98	2.34	
	Total asset turnover (x)	0.73	0.74	
Profitability	Return on assets (%)	15.90	16.99	
	Return on equity (%)	26.99	29.78	
	% of paid-in capital	Operating income	32.65	33.06
		Pre-tax income	43.39	47.90
	Net profit margin (%)	21.75	21.60	
EPS (NT\$)	4.70	5.46		
Cash flow	Cash flow ratio (%)	74.40	67.31	
	Cash flow adequacy ratio (%)	148.99	133.23	
	Cash reinvestment rate (%)	9.70	6.38	
Leverage	Operating leverage	2.16	2.18	
	Financial leverage	1.02	1.04	

Note: All financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
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Solvency

- (1) Current ratio = Current assets / Current liabilities
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Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
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Profitability

- (1) Return on assets = [Net income + Interest expense * (1 – Tax rate)] / Average assets
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- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use zero if working capital value is negative)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

- (1) EBITDA = Operating income + Depreciation + Amortization
- (2) EBITDA margin = EBITDA / Net revenue