

Financial Analysis

Consolidated financial analysis (2017-2021)

		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	57.60	53.95	51.81	61.00	61.63
	Long-term fund to PP&E ratio (%)	221.53	256.51	285.33	281.14	284.88
Solvency	Current ratio (%)	57.28	69.40	67.17	54.83	64.98
	Quick ratio (%)	48.71	58.59	53.39	43.86	53.26
	Interest coverage ratio (%)	2,883.04	3,039.18	2,984.90	2,598.88	2,581.88
Operations	Accounts receivable turnover (x)	5.85	14.08	14.81	15.66	18.61
	Average collection days	62.39	25.92	24.64	23.30	19.61
	Inventory turnover (x)	11.58	12.70	12.92	12.70	15.27
	Accounts payable turnover (x)	10.57	11.20	12.44	11.54	11.47
	Average days sales	31.51	28.74	28.25	28.74	23.90
	Property, plant and equipment turnover (x)	2.79	2.95	3.32	3.38	3.63
	Total asset turnover (x)	0.77	0.77	0.80	0.78	0.83
Profitability	Return on assets (%)	10.12	9.77	8.83	7.62	7.10
	Return on equity attributable to owners of the parent company (%)	23.64	21.84	19.21	16.92	16.79
	Pre-tax income as a % of paid-in capital	51.54	51.66	47.25	44.01	44.28
	Net income margin (%)	12.76	12.20	10.68	9.33	8.22
	EPS (NT\$)	5.21	5.01	4.51	4.01	3.90
Cash flow	Cash flow ratio (%)	53.68	71.09	67.87	54.23	50.76
	Cash flow adequacy ratio (%)	100.84	107.37	112.96	121.06	121.26
	Cash reinvestment rate (%)	7.79	7.45	7.58	8.09	7.75
Leverage	Operating leverage	2.79	2.88	2.93	3.01	3.16
	Financial leverage	1.03	1.03	1.03	1.04	1.04

Explanation of significant changes in 2021 compared with the previous year:

1. Current ratio and quick ratio increased in 2021 compared with 2020 due to the cash inflow from an increase in operating revenue. Inventory turnover increased in 2021 compared with 2020 due to an increase in COGS.

Note: In accordance with IFRS 15, "Revenue from Contracts with Customers" accounts receivables of bundled sales are recognized as contract assets since 2018, causing significant changes in relative ratios in 2018 compared with the previous year.

Stand-alone financial analysis (2017-2021)

		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	57.70	54.18	51.10	61.75	61.45
	Long-term fund to PP&E ratio (%)	357.74	423.47	492.60	447.87	453.25
Solvency	Current ratio (%)	39.66	43.43	40.08	27.92	32.13
	Quick ratio (%)	33.15	37.24	31.97	23.17	26.50
	Interest coverage ratio (%)	2,716.04	2,700.99	2,603.12	2,145.09	1,903.84
Operations	Accounts receivable turnover (x)	3.97	9.33	9.32	8.53	9.17
	Average collection days	91.93	39.12	39.16	42.79	39.80
	Inventory turnover (x)	6.19	6.23	6.87	6.09	8.02
	Accounts payable turnover (x)	13.32	17.67	27.34	20.79	21.20
	Average days sales	58.96	58.58	53.12	59.93	45.51
	Property, plant and equipment turnover (x)	2.87	2.82	2.98	2.53	2.33
	Total asset turnover (x)	0.53	0.47	0.44	0.37	0.35
Profitability	Return on assets (%)	10.51	10.08	9.14	7.60	6.75
	Return on equity (%)	23.64	21.84	19.21	16.92	16.79
	Pre-tax income as a % of paid-in capital	46.09	45.38	40.36	35.99	33.16
	Net profit margin (%)	19.28	20.81	19.99	19.84	18.36
	EPS (NT\$)	5.21	5.01	4.51	4.01	3.90
Cash flow	Cash flow ratio (%)	38.65	48.50	48.38	35.97	31.47
	Cash flow adequacy ratio (%)	76.51	83.91	89.37	97.27	93.56
	Cash reinvestment rate (%)	3.45	2.68	2.93	3.57	2.11
Leverage	Operating leverage	3.38	3.69	3.92	4.46	5.77
	Financial leverage	1.05	1.06	1.07	1.09	1.13

Explanation of significant changes in 2021 compared with the previous year:

1. Inventory turnover increased and average days sales decreased in 2021 compared with 2020 due to an increase in COGS.
2. Cash reinvestment ratio decreased in 2021 compared with 2020 due to lower cash flow from operating activities.
3. Operating leverage increased in 2021 compared with 2020 due to a decrease in operating income.

Note : In accordance with IFRS 15 "Revenue from Contracts with Customers," accounts receivables of bundled sales are recognized as contract assets since 2018, causing significant changes of relative ratios in 2018 compared with the previous year.

Note 1: The financial data for 2017-2021 have been duly audited by independent auditors.

Note 2: 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 dividends) / 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 expenditure + Increases in inventory + Cash dividends for the past 5 years)
 - (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)