

Fulgent Sun (9802) Announces FY2021 1Q Unaudited Financial Result

Fulgent Sun: 1Q21 consolidated sales, gross profit, operating profit all posted record-high figures compared with previous 1Q.

Gross profit margin rose to 20.6% in 1Q21, while operating profit margin increased to 11.2%. Earnings per share after tax reached NT\$1.75, catching up with pre-pandemic level.

Fulgent Sun raises its outlook for this year's annual sales. Although production and marketing touched bottom in 1Q, operating momentum are expected to improve quarterly.

2021/4/19, Douliu

Fulgent Sun International (Holding) Co., Ltd. ("Fulgent Sun", TWSE: 9802) today announced its unaudited results for 1Q 2021.

Key Points

- In 1Q21, lunar new year holidays led to fewer working days, while there were also delays in recognition of sales due to global shortage of containers. However, thanks to Fulgent Sun's continuous growth in production capacity, and its well-allocated production schedule according to orders, 1Q21 accumulated sales jumped 23.2% annually, or 14.7% quarterly, to a record NT\$3.42 billion compared with previous 1Q. In respect of US dollars, the currency for taking orders, 1Q21 sales also made history by exceeding \$120 million for the first time. The group's expansion plan has lifted its daily output value significantly, providing it with diverse resources for devising plans. By having the situation well in hand, Fulgent Sun can further meet brand clients' growing demand and massive orders in the future.
- 1Q21 gross profit rose 6.5% year-on-year, or 16.9% quarter-on-quarter, to NT\$703 million. Operating profit increased 7.2% annually, or 8.3% quarterly, to \$382 million. Both were all-time high compared with previous 1Q. Net profit before tax decreased 4.1% annually, but soared 75.4% quarterly, to \$388 million in 1Q21. Net profit attributable to the parent company after tax declined 8.1% year-on-year, but climbed 74.2% quarter-on-quarter to \$325 million. The group's profitability caught up with its pre-pandemic level, as earnings per share after tax reached \$1.75. 1Q21's gross profit, operating profit, and net profit after tax each marked the second-highest record, second only to those of 4Q19.
- Fulgent Sun's gross profit margin has been improving quarterly after COVID-19 broke out. 2Q20's figure was at 19.9%. It increased to 20.2% in 4Q20, and later rose to 20.6% in 1Q21. Operating profit margin also climbed from 2Q20's 9.8% to 3Q20's 10.3%, and further rose to 4Q20's 11.8%. This led to an annual operating profit margin of 11.2% for 2020, which has been superior to other listed footwear manufactures in Taiwan for the second straight year. As a result of the group's expansion on recruitment of mid- to high-level staff, the

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enhancement on joint development of new shoe designs with its brand clients, and global shortage of containers, crowded ports that added up to higher costs, operating expenses climbed in 1Q21. But thanks to gradual effects of economies of scale, and with the addition of various precise control measures, 1Q21 operating expense ratio could still be maintained at only 9.4%, far below than those of industry counterparts. 1Q21 operating profit margin was well up to the average, reaching 11.2%. To sum up, 1Q21's performances, including gross margin and other absolute profit-related figures, are all superior to those of 4Q20, adding that product portfolio of the two periods are similar.

- With regard to output of production regions, 1Q21's distribution is identical with those of 2020, where Vietnam accounted for the highest percentage, while China maintained at a decent level at second. Output outside China has been increasing at a steady pace. Its productivity per worker also improves simultaneously as workers' learning effectiveness continues to excel. As for market distribution, or destinations assigned by brand customers, Greater Europe's 1Q21 sales reached \$1.71 billion, accounting for 50.1% of total sales. Greater America region contributed \$1.23 billion, or 36.0% of total sales, thanks to years of cultivation. Regarding client composition, Fulgent Sun currently has almost 50 brand clients, while the top ten makes up around 80%, with the top three accounting for about 40%. All in all, the group's decision to take orders from various brands, expansion in operation, diversifying markets and improvement on product portfolio paid off, and gradually led to rewarding outcome.
- Fulgent Sun's 2Q21 overall performances are expected to exceed those of 1Q21, while 2H21 are also expected to outperform 1H21. Clients that joined in 2019 and 2020 have begun to increase orders obviously and steadily. Moreover, seven new brand clients will join in succession this year, which are expected to boost the group's growth momentum. The accumulated value of shipment of spring and summer shoes of 2021 broken previous records and reached \$6.4 billion. For autumn and winter shoes this year, which are usually shipped between April and October, their production and marketing growth are expected to grow significantly as a result of the group's steady expansion on overall capacity, and robust gain on orders from various new and old brand customers in post-pandemic era. March and April, the period for transitions between seasonal products, are normally low seasons for footwear manufacturing business. However, they are expected to show annual growth this year. Monthly sales might fluctuate in future months. But as level of pulling goods improves in May, while shipment of autumn and winter shoes of 2021 might reach a peak in June or July, in monthly sales for coming months are expected have annual growth.
- As for future prospect, Fulgent Sun's managing team will continue to enhance production effectiveness, raise the proportion of automation, and actively invest more on developing new shoe designs. The group is aiming for strengthening market advantages on its current

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basis to stay competitive, raising added value on products, and further achieve win-win scenario with brand clients. Due to characteristics of footwear manufacturing business, shipping time in this industry is often lengthier than that of garment industry. Moreover, outdoor shoes' shipping time of are also longer than sport shoes'. Therefore, financial performances of footwear manufacturing business are usually presented later than others. Based on current orders and production schedule, the group raises the outlook for 2021. Although production and marketing hit bottom in 1Q21, but they are expected to bounce back and climb quarterly this year.

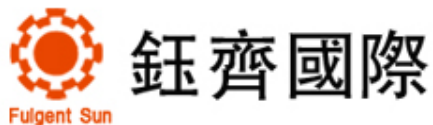
(Appendix) Fulgent Sun (9802) 1Q 2021 Unaudited Financial Results :

(In NTD '000 ; %)

	2021/Q1	2020/Q4	QoQ	2020/Q1	YoY
Consolidated Sales	3,416,849	2,979,227	14.7	2,772,864	23.2
Gross Profit	703,604	602,079	16.9	660,408	6.5
Gross Profit Margin (%)	20.6%	20.2%	—	23.8%	—
Operating Expenses	321,648	249,557	28.9	304,030	5.8
Operating Expense (%)	9.4%	8.4%	—	11.0%	—
Operating Profit	381,956	352,522	8.3	356,378	7.2
Operating Profit Margin (%)	11.2%	11.8%	—	12.9%	—
Non-operating Revenue & Expenses	6,152	-131,227	-104.7	48,276	-87.3
Net Income	388,108	221,295	75.4	404,654	-4.1
Net Income attributed to parent company	325,376	186,176	74.8	353,620	-8.0
EPS	325,491	186,877	74.2	354,143	-8.1
Exchange rate effect	1.75	1.01	73.3	2.02	-13.4
Excluding exchange rate effect	0.01	-0.61	-101.6	0.21	-95.2

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.



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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.