

*Fulgent Sun (9802) Announces FY2017 3Q Financial Results*

## **Fulgent Sun: 2017 3Q EPS of NT\$0.85, reaching 7th consecutive quarter of historical same period high**

### **EPS of NT\$4.44 in the first three quarters of 2017, reaching historical high, operating income of NT\$840mn more than last year.**

2017/10/13, Douliu

Fulgent Sun International (Holding) Co., Ltd. (“Fulgent Sun”, TWSE: 9802) today announced its unaudited results for 3Q 2017

#### **Key Points:**

- Fulgent Sun’s 2017 3Q unaudited consolidated sales reached NT\$2,720 million and operating income reached NT\$180 million. The net profit attributed to parent company arrived at NT\$120 million and EPS arrived at NT\$0.85, reaching same period of historical high. Respectively, over the same period of last year grew 27.9%, 35.5%, 9.2% and 1.2%.
- Accumulated revenue in the first three quarters of 2017 reached NT\$7,640 million (+YoY 12.1%) and operating income reached NT\$840 million (+YoY 61.9%). The net profit attributed to parent company at NT\$620 million (+YoY 30.3%) and EPS of NT\$4.44(+YoY 23.3%), reaching historical same period high, which operating income (NT\$840 million) over the full year of 2016(NT\$690 million).
- In order to meet the growing demand for customer orders, Fulgent Sun has accelerated the completion of the expansion plan in the middle of 2017, but also the new line expansion must input costs that learning process at the beginning, resulting the third quarter gross margin and operating profit margin was 15.6% and 6.7%. As the view of absolute amount, the single quarter of gross profit at NT\$420 million and operating income at NT\$180 million, not only increased over the same period last year, but also reach historical same period high. According to past experience rules, the status of current production, and information of orders confirmation, Fulgent Sun is optimistic about the third quarter profit data will be relatively low throughout the year. The line production efficiency will be significantly demonstrated in the production, marketing and profit from the fourth quarter.
- Looking forward, Fulgent Sun is still optimistic about the future market growth momentum which comes from sports leisure combine fashion creates new trend. Fulgent Sun continuous to deep

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existing brand customers, and add 3 to 5 new brand customers as the goal by each year. Capacity allocation well and orders outlook assurance, the annual growth rate of production and sales is expected to grow positively in the next few months. Based on this, the Group's capacity expansion still maintain the annual growth of 10% to 15% as the goal, long-term growth momentum is guaranteed.

### **2017Q1-Q3 Review:**

Fulgent Sun's 2017 3Q unaudited consolidated sales reached NT\$2,720 million, an increase of 27.90% from the period of 2016, reaching historical high. The operating income reached NT\$180 million. The net profit attributed to parent company arrived at NT\$120 million and EPS arrived at NT\$0.85. Respectively, over the same period of last year grew 35.5%, 9.2% and 1.2%. Accumulated revenue in the first three quarters of 2017 reached NT\$7,640 million, gross profit margin was 20.0%, operating profit margin was 11.0%, the net profit attributed to parent company at NT\$620 million and EPS of NT\$4.44, reaching historical same period high. In the further review of operating income, accumulated operating income in the first three quarters of 2017 reached NT\$840 million, over the full year of 2016(NT\$690 million). However, the appreciation of the NTD&RMB against the US dollar in the first three quarters resulted in the impact of loss of EPS up to NT\$0.58 (the first three quarters were NT\$0.20, NT\$0.16 and NT\$0.22), but has achieved the proportion of about only 1/8.

Fulgent Sun indicated that the global consumer market in the athlete and leisure become more prevalent, and majority of renowned brands actively develop the market. Fulgent Sun continues to be committed to taking small-volume, large-variety production with flexible orders, driving the overall order visibility continues to heat up. To meet the orders demand of many international brand customers and achieve accurate expansion of the operational scale of the ambition, Fulgent Su has been concentrated in the second quarter and the third quarter, multi-active in non-Chinese factories (Cambodia and Vietnam) to speed up the establishment of new production lines. The new line has been successfully opened and officially launched and it has been directly created the high sales, reaching historical same period high at the traditional off season (the third quarter).

Fulgent Sun indicated that the new line expansion must input costs that learning process at the beginning, resulting the third quarter gross margin and operating profit margin was 15.6% and 6.7%. It lower than the second quarter (20.6% and 12.0%). As the view of absolute amount, the single quarter of gross profit at NT\$420 million and operating income at NT\$180 million, not only increased over the same period last year,

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but also reach historical same period high. The sales and profit ratio is a phased strategy options. Fulgent Sun is committed to pursuit the absolute amounts as the ultimate goal.

The view of revenue in previous years, from NT\$6,000 million in 2012, NT\$6,900 million in 2013, NT\$8,500 million in 2014, NT\$9,000 million in 2015, NT\$9,100 million in 2016, to the first three quarters of 2017, its accumulated revenue has reached NT\$7,600 million. It has repeatedly proved that the company management team has always expanded the scale of operation steadily, and then the pursuit of "quantity" and "profit" of the annual positive growth as the core mission. But it is undeniable that there is still a trade-off relationship between the "quantity" and the "profit" in the short term while increase sales, as the current size of the operation of the company, in the process of scale expansion. At the pragmatic stage of strategic arrangements, the relevant coefficient has been significantly reduced with the scale of operation, and economies of scale are gradually emerging. It is the so-called "all the investment to create another wave of growth energy; only hard to seed, smile harvest in one day."

To sum up, according to past experience rules, the status of current production, and information of orders confirmation, Fulgent Sun is optimistic about the third quarter profit data will be relatively low throughout the year. The line production efficiency will be significantly demonstrated in the production, marketing and profit at the fourth quarter. The Group's operating profit momentum can be expected in the future.

#### **Outlook for future:**

Outlook for 2017Q4, orders, production and sales will continue to create annual growth performance. Fulgent Sun is still optimistic about the future market growth momentum which comes from sports leisure combine fashion creates new trend. Fulgent Sun continuous to deep existing brand customers, and add 3 to 5 new brand customers as the goal by each year. Capacity allocation well and orders outlook assurance, the annual growth rate of production and sales is expected to grow positively in the next few months. Based on this, the Group's capacity expansion still maintain the annual growth of 10% to 15% as the goal, long-term growth momentum is guaranteed. The expansion of production capacity will also continue to import automation equipment, strengthen the intelligent production layout. It will focus on the synchronization that production efficiency of the plant and the specific performance of management of staff.

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Fulgent Sun (9802) 3Q 2017 Financial Results :

(In NTD '000)

	2017/Q3	2016/Q3	YoY	2017/Q1-Q3	2016/Q1-Q3	YoY
Consolidated Sales	2,718,905	2,125,402	27.9	7,638,339	6,812,488	12.1
Operating Expenses	241,432	231,438	4.3	690,007	676,041	2.1
Operating Expense (%)	8.9%	10.9%	–	9.0%	9.9%	–
Operating Income	183,363	135,291	35.5	836,184	516,529	61.9
Operating Profit Margin(%)	6.7%	6.4%	–	10.9%	7.6%	–
Non-operating Revenue & Expenses	-36,885	9,372	-493.6	-65,961	91,627	-172.0
Net profit attributed to parent company	122,867	112,543	9.2	624,898	479,427	30.3
EPS	0.85	0.84	1.2	4.44	3.60	23.3

**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.