

16 October 2008 (No. of pages: 9)

Richtek Technology (6286 TT)

Electronics: Taiwan

6-mth rating: 4 → 3

Target price: NT\$185.0 (+0.8%)

Share price: NT\$183.5 (14 Oct)

Aaron Jeng, CFA

(886) 2 8780 1469

aaron.jeng@dirtpc.com.tw

Market's optimism about 2009 is gone and fair value is near

Over-optimism about 2009 is gone; upgrade to Hold

- We have upgraded our rating for Richtek Technology (Richtek) to 3 (*Hold*) from 4 (*Underperform*), following the downward revisions to Bloomberg-consensus EPS forecast for 2009 over the past month.
- In addition, the current share price is near our target price, indicating that the downside potential is limited, in our view.

Still cautious into 2009

- We maintain our cautious view going into 2009 on the company's gross-profit margin and EPS growth, despite the better-than-expected 3Q08 gross-profit margin.

We maintain our target price and 2008-10 EPS forecasts

- We maintain our 2008-10 EPS forecasts after the 3Q08 results conference call due to limited amount of information disclosed, and have kept our six-month target price unchanged at NT\$185, based on a target PER of 17x on the average of our 2008 and 2009 EPS forecasts.

Reuters code 6286.TW

Market data			
TWSE Index			5,292
Market cap	(US\$m)		757.70
EV	(US\$m: 08F)		745.5
3-mth avg daily T/O	(US\$m)		28.01
Shares outstanding	(m)		134
Free float	(%)		88.1
Major shareholder	HSIEH SHU-LIANG (4.9%)		
Exchange rate	NT\$/US\$		32.397
Performance (%)*			
Absolute	1M	3M	6M
	(2.4)	(27.4)	(19.9)
Relative	16.4	(1.8)	34.6

Source: Daiwa

Note: *Relative to TWSE Index

Investment indicators			
		2008F	2009F
PER	(x)	17.8	16.0
PCFR	(x)	16.5	12.1
EV/EBITDA	(x)	14.3	13.0
PBR	(x)	5.7	4.9
Dividend yield	(%)	4.6	4.4
ROE	(%)	33.7	33.0
ROA	(%)	26.7	25.7
Net debt equity	(%)	Net cash	Net cash

Source: Daiwa forecasts



Source: Bloomberg

Income summary

Year to 31 Dec	Revenue		EBITDA		Net profit		EPS		CFPS (NT\$)	DPS (NT\$)
	(NT\$m)	(%)	(NT\$m)	(%)	(NT\$m)	(%)	(NT\$)	(%)		
2006	4,297	60.1	1,424	119.4	1,243	124.6	10.890	115.5	11.649	2.500
2007	6,062	41.1	1,987	39.5	1,771	42.5	14.924	37.0	21.495	5.000
2008F	7,211	18.9	1,690	(15.0)	1,382	(22.0)	10.334	(30.8)	11.130	8.500
2009F	8,617	19.5	1,856	9.8	1,532	10.9	11.455	10.9	15.155	8.000
2010F	10,201	18.4	2,293	23.6	1,902	24.1	14.220	24.1	21.433	9.000

Source: Company, Daiwa forecasts

Note: The investment indicators and income summary on the front page of this report, as well as the back-page financial summary, are all based on the forex assumptions set out in the table at the back of this report, unless stated otherwise.

Market optimism is gone; rating upgraded to 3

We maintain our target price, but have upgraded our rating

Rating upgraded to 3 after market's optimism evaporates

We believe the market's excessive optimism about Richtek's 2009 gross-profit margin and EPS before the middle of September has evaporated.

The share price has undergone a significant correction, especially since 25 September 2008, and now is approaching our six-month target price of NT\$185, based on a target PER of 17x on the average of our 2008 and 2009 EPS forecasts, following the recent rebound. As we do not expect any fundamental surprises going into 2009 (despite the better-than-expected 3Q08 gross-profit margin and management's guidance for the 4Q08 gross-profit margin) following the company's 3Q08 results conference call, we maintain our six-month target price of NT\$185 and 2008-10 EPS forecasts. Accordingly, we have upgraded our rating to 3 from 4, due to what we see as the limited downside potential for the share price.

The consensus forecast has been moving down recently

- After the company toned down its gross-profit margin target for 2009, forecasts in the market have declined to 35-36% now from 38-40% previously.
- Over the past few weeks, we have seen forecasts in the market move toward EPS-growth of 10-15% YoY for 2009, from 20-25% previously.
- Our 2009 EPS forecast remains almost the lowest in the market.

3Q conference: upside surprise for gross-profit margin, but deterioration in information disclosure

Better-than-expected 4Q gross-profit margin guidance

Richtek hosted its 3Q08 results conference call on 14 October 2008. Although the 3Q08 gross-profit margin and management's guidance for the 4Q gross-profit margin were better than the market expected, most investors were disappointed by the limited amount of information disclosed by the company. The key takeaways are as follows:

- The 3Q gross-profit margin of 39.4% was better than both the company's guidance and our forecast of about 38% due to: 1) the NT dollar's depreciation, 2) the company's cost-reduction efforts, and 3) changes to the product mix.
- Management guided for a 5-10% QoQ decline in 4Q sales, and for a gross-profit margin of 38-40% (both in line with our latest forecasts).
- The company expects all of its product lines to record declines in sales on a quarter-on-quarter basis for 4Q, but believes communication applications will hold up relatively well due to the strength of the China handset market.
- Other information/guidance was relatively vague.

Our cautious view going into 2009 remains largely unchanged

We remain cautious on the Taiwan analog IC sector going into 2009

We largely maintain our cautious view on the Taiwan IC design sector and Richtek going into 2009 (set out in our report published on 31 July 2008, *Initiation of coverage: immunity from industry consolidation will be difficult*).

For 2009, we continue to forecast 10.9% YoY EPS growth for Richtek, with the gross-profit margin deteriorating to 35-36%, despite the better-than-expected 3Q08 gross-profit margin and management's gross-profit margin guidance for 4Q08. In our opinion, given that: 1) Taiwan analog IC companies have already gained almost a 50% share of the Taiwan electronic supply market (compared with their global market share of less than 10%), and 2) we haven't seen any signs that rising competition globally will end over the next six months, especially with the global economic situation continuing to worsen, we believe it would be very difficult for Richtek to increase its sales by 20% without sacrificing some of its gross-profit margin.

We continue to see Richtek as the most competitive analog IC company in Taiwan, and believe this will continue to improve. However, we believe its earnings growth will slow during the industry-consolidation phase, which we do not expect to be completed before the middle of 2009.

Valuation: trading at a fair valuation

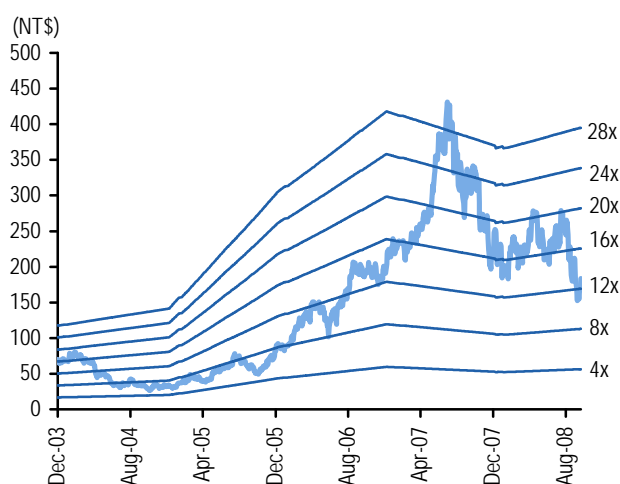
The stock is trading currently at PERs of 17.8x and 16x on our 2008 and 2009 EPS forecasts, respectively

The stock is trading currently at near our six-month target price of NT\$185, based a target PER of 17x on the average of our 2008 and 2009 EPS forecasts, or at a 1x PEG, which we think is fair for a company that we see as having solid long-term growth potential.

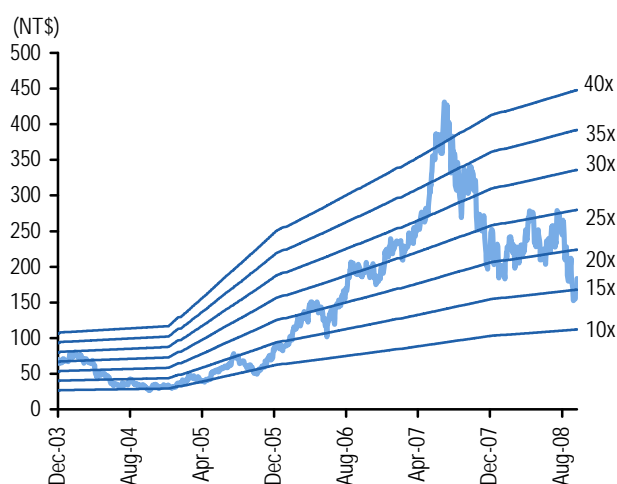
Risks

We see the major upside risk to our rating as a better-than-expected improvement in the company's 2009 gross-profit margin, which we believe might come from cost savings from foundries or back-end assemblers, or from the earlier-than-expected completion of industry consolidation. In our view, the major downside risk to our rating is a worse-than-expected global economic downturn and intensified competition in the industry.

Historical PER band: previous accounting policy

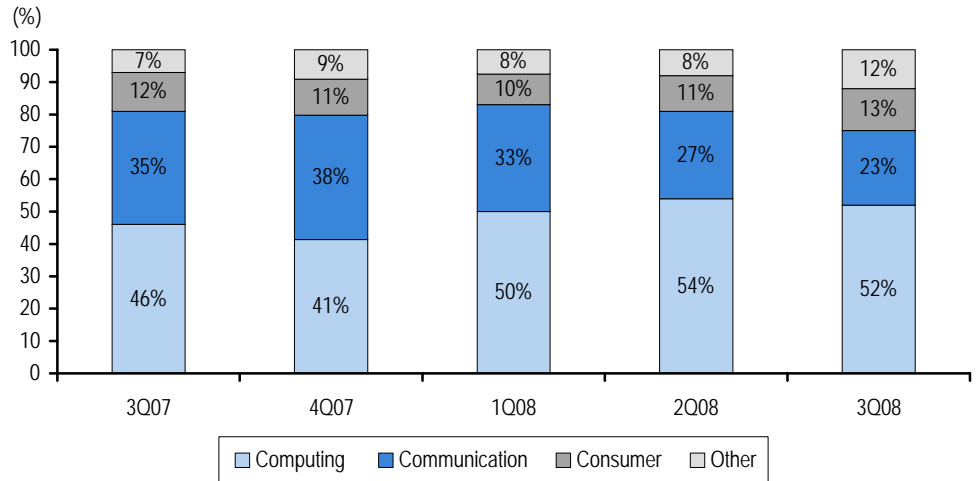


Historical PER band: new accounting policy



Source: Bloomberg, Daiwa calculations

Richtek: sales breakdown



Source: Company

Valuation comparison

Code	Company	Local currency	Mkt cap (US\$m)	Price (LCY\$)	EPS (LCY\$/shr)			EPS growth (%)		PER (x)		PBR (x)		ROE (%)	
					2007	2008F	2009F	2008F	2009F	2008F	2009F	2008F	2009F	2008F	2009F
Global peers															
Pro Forma															
QCOM US	Qualcomm	US\$	69,413	42.3	1.99	2.16	2.57	8.2	18.9	19.6	16.5	4.8	4.1	19.72	20.37
BRCM US	Broadcom	US\$	8,305	16.4	1.15	1.67	1.56	45.0	(6.6)	9.8	10.5	2.3	2.2	23.58	18.66
NVDA US	nVidia	US\$	4,480	8.1	1.53	0.78	0.89	(49.1)	14.8	10.4	9.0	2.5	1.7	16.02	12.53
SNDK US	SanDisk	US\$	3,866	17.2	1.68	(0.36)	0.07	(121.4)	(119.2)	n.m.	249.0	0.8	0.8	n.m.	n.m.
MRVL US	Marvell	US\$	4,790	7.8	0.36	0.99	1.08	175.3	8.1	7.9	7.3	1.4	1.3	14.17	11.83
LSI US	LSI Logic	US\$	2,948	4.6	0.23	0.50	0.53	115.6	5.8	9.2	8.7	0.8	1.3	9.74	11.65
XLNX US	Xilinx	US\$	5,913	21.4	1.08	1.53	1.70	41.2	11.4	14.0	12.6	3.5	3.7	24.21	26.89
ALTR US	Altera	US\$	5,264	17.5	0.87	1.18	1.27	36.4	7.3	14.8	13.8	5.2	6.6	40.82	41.48
ZRAN US	Zoran	US\$	361	7.0	1.35	0.14	0.32	(89.8)	129.7	50.4	22.0	0.5	0.6	n.m.	1.33
TRID US	Trident	US\$	130	2.1	1.02	(0.43)	(0.51)	(141.7)	20.1	n.m.	n.m.	0.6	0.5	n.m.	n.m.
GAAP															
QCOM US	Qualcomm	US\$	69,413	42.3	1.83	1.95	2.37	6.7	21.6	21.7	17.9	4.8	4.1	19.89	19.72
BRCM US	Broadcom	US\$	8,305	16.4	0.32	0.83	0.71	156.3	(14.7)	19.8	23.2	2.3	2.2	15.49	23.58
NVDA US	nVidia	US\$	4,480	8.1	1.30	0.24	0.59	(81.6)	146.3	33.5	13.6	2.5	1.7	35.54	16.02
SNDK US	SanDisk	US\$	3,866	17.2	1.01	(0.97)	(0.29)	(196.3)	(70.0)	n.m.	n.m.	0.8	0.8	6.03	(3.16)
MRVL US	Marvell	US\$	4,790	7.8	(0.17)	0.56	0.66	-	17.9	14.1	11.9	1.4	1.3	3.18	14.17
LSI US	LSI Logic	US\$	2,948	4.6	(0.31)	0.00	0.05	-	n.m.	n.m.	88.1	0.8	1.3	2.26	9.74
XLNX US	Xilinx	US\$	5,913	21.4	1.02	1.49	1.69	45.6	14.1	14.4	12.6	3.5	3.7	21.47	24.21
ALTR US	Altera	US\$	5,264	17.5	0.82	1.18	1.27	43.7	7.4	14.9	13.8	5.2	6.6	21.31	40.82
ZRAN US	Zoran	US\$	361	7.0	1.29	(0.84)	(0.13)	(165.3)	(85.1)	n.m.	n.m.	0.5	0.6	11.67	n.m.
TRID US	Trident	US\$	130	2.1	0.48	(0.73)	(0.75)	(252.7)	2.3	n.m.	n.m.	0.6	0.5	18.33	n.m.
Taiwan peers															
Pro Forma															
2454 TT	MediaTek*	NT\$	9,789	295.5	32.27	29.38	32.60	(9.0)	11.0	10.1	9.1	3.5	2.9	33.7	35.5
3034 TT	Novatek*	NT\$	800	44.3	14.02	9.37	9.43	(33.2)	0.6	4.7	4.7	1.7	1.5	29.6	27.9
2379 TT	Realtek*	NT\$	853	59.0	4.35	4.99	7.52	14.6	50.7	11.8	7.8	1.8	1.7	17.1	17.8
2401 TT	Sunplus	NT\$	261	14.2	3.78	1.92	1.71	(49.2)	(10.9)	7.4	8.3	0.6	0.4	19.1	8.3
6286 TT	Richtek*	NT\$	758	183.5	14.92	13.08	14.55	(12.3)	11.2	14.0	12.6	5.7	4.9	42.9	41.6
8299 TT	Phison	NT\$	319	81.5	14.10	17.97	21.20	27.5	18.0	4.5	3.8	1.5	1.3	33.4	33.8
GAAP															
2454 TT	MediaTek*	NT\$	9,789	295.5	32.27	22.33	24.76	(30.8)	10.9	13.2	11.9	3.5	2.9	25.6	27.0
3034 TT	Novatek*	NT\$	800	44.3	14.02	7.32	7.47	(47.8)	2.0	6.0	5.9	1.7	1.5	23.1	22.1
2379 TT	Realtek*	NT\$	853	59.0	4.35	3.87	5.85	(11.1)	51.2	15.2	10.1	1.8	1.7	13.2	13.8
2401 TT	Sunplus	NT\$	261	14.2	3.78	1.44	1.28	(61.9)	(10.9)	9.8	11.0	0.6	0.4	14.4	6.2
6286 TT	Richtek*	NT\$	758	183.5	14.92	10.33	11.46	(30.8)	10.9	17.8	16.0	5.7	4.9	33.7	33.0
8299 TT	Phison	NT\$	319	81.5	14.10	13.48	15.90	(4.4)	18.0	6.0	5.1	1.5	1.3	25.0	25.3
Analog global peers															
Pro Forma															
TXN US	TI		26,480	20.2	2	1.79	1.88	(10.8)	5.5	11.3	10.7	2.8	2.7	23.33	22.38
NSM US	National Semiconductor		3,415	14.9	1.18	1.37	1.56	16.0	13.9	10.9	9.5	18.1	16.9	143.62	65.72
MXIM US	Maxim		4,491	14.0	1.61	1.05	1.23	(35.0)	17.2	13.4	11.4	1.5	1.4	11.50	n.m.
LLTC US	Linear		6,030	27.2	1.39	1.82	2.02	30.9	10.9	15.0	13.5	n.m.	n.m.	n.m.	n.m.
ONNN US	On Semiconductor		2,047	5.1	1.52	0.91	1.00	(39.9)	9.0	5.6	5.2	2.1	2.0	33.30	23.90
STM US	ST Microelectronics		9,021	9.9	0.76	0.70	0.93	(7.8)	32.7	14.1	10.7	n.a.	n.a.	2.64	7.80
ISIL US	Intersil		1,734	14.0	1.36	1.54	1.60	13.0	3.8	9.1	8.8	0.8	0.8	8.57	7.94
FCS US	Fairchild		875	7.0	0.64	0.84	0.96	31.3	13.9	8.3	7.3	0.7	0.7	5.23	4.83
ADI US	Advance Device		6,977	24.0	1.54	1.73	1.88	12.2	8.8	13.9	12.8	3.1	2.9	26.25	17.94
GAAP															
TXN US	TI		26,480	20.2	1.84	1.80	1.88	(2.1)	4.2	11.2	10.8	2.8	2.7	23.6	22.3
NSM US	National Semiconductor		3,415	14.9	1.12	1.36	1.56	21.8	14.0	10.9	9.6	18.1	16.9	143.1	65.6
MXIM US	Maxim		4,491	14.0	1.15	0.98	1.24	(14.6)	25.9	14.3	11.3	1.5	1.4	10.8	n.a.
LLTC US	Linear		6,030	27.2	1.29	1.85	2.03	43.0	10.2	14.8	13.4	n.a.	n.a.	n.m.	n.a.
ONNN US	On Semiconductor		2,047	5.1	0.79	0.58	0.92	(26.7)	59.4	8.9	5.6	2.1	2.0	21.1	22.2
STM US	ST Microelectronics		9,021	9.9	(0.53)	0.41	0.89	(178.1)	114.3	23.9	11.2	n.a.	n.a.	1.6	7.4
ISIL US	Intersil		1,734	14.0	1.04	1.40	1.42	34.4	1.7	10.0	9.9	0.8	0.8	7.8	7.1
FCS US	Fairchild		875	7.0	0.51	0.61	0.75	19.2	22.7	11.5	9.4	0.7	0.7	3.8	3.8
ADI US	Advance Device		6,977	24.0	1.50	2.24	1.90	49.1	(15.0)	10.7	12.6	3.1	2.9	34.0	18.1

Source: Bloomberg, *Daiwa forecasts

Note: share prices as of 14 Oct 2008

Richtek: quarterly income statement (NT\$m)

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08F	3Q08F	4Q08F	FY06	FY07	FY08F	FY09F	FY10F
GAAP (NT\$m)													
Net sales	1,255	1,431	1,735	1,641	1,508	1,756	2,031	1,915	4,297	6,062	7,211	8,617	10,201
COGS	706	825	999	957	916	1,085	1,257	1,212	2,444	3,486	4,470	5,525	6,479
Gross profit	549	606	736	685	592	671	774	703	1,853	2,576	2,740	3,092	3,722
SG&A	60	63	65	75	115	126	158	153	207	263	553	353	426
R&D expenses	101	111	117	123	146	153	177	172	327	453	648	1,050	1,204
Operating income	388	432	554	486	332	391	439	377	1,319	1,860	1,540	1,689	2,093
Net non-op. income	(5)	(3)	(13)	(14)	(20)	(17)	(10)	(13)	(61)	(36)	(61)	(68)	(81)
Pre-tax income	383	429	540	472	312	375	429	364	1,258	1,824	1,479	1,620	2,012
Tax expenses	8	20	23	2	17	41	21	18	15	53	97	88	110
Net income	375	409	518	470	295	334	407	346	1,243	1,771	1,382	1,532	1,902
EPS (NT\$)	3.16	3.44	4.36	3.96	2.21	2.50	3.05	2.58	10.89	14.92	10.33	11.46	14.22

Pro forma (NT\$m)													
Net sales	1,255	1,431	1,735	1,641	1,508	1,756	2,031	1,915	4,297	6,062	7,211	8,617	10,201
COGS	706	825	999	957	903	1,071	1,239	1,198	2,444	3,486	4,411	5,460	6,397
Gross profit	549	606	736	685	605	685	792	718	1,853	2,576	2,799	3,157	3,804
SG&A	60	63	65	75	115	126	158	153	207	263	553	353	426
R&D expenses	101	111	117	123	74	74	78	88	327	453	314	678	742
Operating income	388	432	554	486	416	485	555	476	1,319	1,860	1,933	2,126	2,636
Net non-op. income	(5)	(3)	(13)	(14)	(20)	(17)	(10)	(13)	(61)	(36)	(61)	(68)	(81)
Pre-tax income	383	429	540	472	396	468	545	463	1,258	1,824	1,873	2,058	2,555
Tax expenses	8	20	23	2	21	51	27	23	15	53	122	112	140
Net income	375	409	518	470	375	418	518	440	1,243	1,771	1,750	1,946	2,416
EPS (NT\$)	3.16	3.44	4.36	3.96	2.80	3.12	3.87	3.29	10.89	14.92	13.08	14.55	18.06

Profitability (%)													
GAAP													
Gross margin	43.8	42.4	42.4	41.7	39.3	38.2	38.1	36.7	43.1	42.5	38.0	35.9	36.5
Operating margin	30.9	30.2	31.9	29.6	22.0	22.3	21.6	19.7	30.7	30.7	21.4	19.6	20.5
PBT margin	30.5	30.0	31.2	28.8	20.7	21.3	21.1	19.0	29.3	30.1	20.5	18.8	19.7
Net margin	29.9	28.6	29.8	28.6	19.6	19.0	20.1	18.1	28.9	29.2	19.2	17.8	18.6
Pro forma													
Gross margin	43.8	42.4	42.4	41.7	40.1	39.0	39.0	37.5	43.1	42.5	38.8	36.6	37.3
Operating margin	30.9	30.2	31.9	29.6	27.6	27.6	27.4	24.9	30.7	30.7	26.8	24.7	25.8
PBT margin	30.5	30.0	31.2	28.8	26.3	26.7	26.9	24.2	29.3	30.1	26.0	23.9	25.0
Net margin	29.9	28.6	29.8	28.6	24.9	23.8	25.5	23.0	28.9	29.2	24.3	22.6	23.7

YoY (%)													
GAAP													
Sales	40	54	54	22	20	23	17	17	60	41	19	20	18
Gross profit	45	55	49	16	8	11	5	3	84	39	6	13	20
Operating profit	49	66	54	11	(14)	(9)	(21)	(22)	132	41	(17)	10	24
Net profit	50	60	52	18	(21)	(18)	(21)	(26)	125	43	(22)	11	24
Pro forma													
Sales	40	54	54	22	20	23	17	17	60	41	19	20	18
Gross profit	45	55	49	16	10	13	8	5	84	39	9	13	20
Operating profit	49	66	54	11	7	12	0	(2)	132	41	4	10	24
Net profit	50	60	52	18	0	2	0	(6)	125	43	(1)	11	24

QoQ (%)													
GAAP													
Sales	(6)	14	21	(5)	(8)	16	16	(6)					
Gross profit	(7)	10	21	(7)	(13)	13	15	(9)					
Operating income	(12)	11	28	(12)	(32)	18	12	(14)					
Net income	(6)	9	27	(9)	(37)	13	22	(15)					
Pro forma													
Sales	(6)	14	21	(5)	(8)	16	16	(6)					
Gross profit	(7)	10	21	(7)	(12)	13	16	(9)					
Operating income	(12)	11	28	(12)	(14)	17	15	(14)					
Net income	(6)	9	27	(9)	(20)	11	24	(15)					

Source: Company, Daiwa forecasts

Richtek Technology – financial summary

Profit and loss (NT\$m)						Balance sheet (NT\$m)					
Year to 31 Dec	2006	2007	2008F	2009F	2010F	As at 31 Dec	2006	2007	2008F	2009F	2010F
Sales	4,297	6,062	7,211	8,617	10,201	Total assets	3,487	4,873	5,488	6,447	7,377
Cost of goods sold	2,444	3,486	4,470	5,525	6,479	Current assets	2,874	3,879	4,337	5,237	6,392
Gross profit	1,853	2,576	2,740	3,092	3,722	Cash	609	836	429	773	1,612
Operating expenses	534	716	1,201	1,403	1,629	Short-term investments	1,049	1,344	1,607	1,607	1,607
Operating profit	1,319	1,860	1,540	1,689	2,093	Inventories	572	916	1,249	1,557	1,768
Net other non-op. income	(61)	(36)	(61)	(68)	(81)	Accounts receivable	527	668	859	1,083	1,216
Pre-tax income	1,258	1,824	1,479	1,620	2,012	Others	117	116	193	218	190
Tax payable currently	15	53	97	88	110	Non-current assets	613	994	1,152	1,211	985
Net profit	1,243	1,771	1,382	1,532	1,902	Long-term investments	162	402	443	452	462
EBITDA	1,424	1,987	1,690	1,856	2,293	Next fixed assets	289	318	454	472	491
EPS (NT\$)	10.89	14.92	10.33	11.46	14.22	Others	162	274	254	286	32
						Total liabilities	752	945	1,210	1,442	1,586
						Current liabilities	701	888	1,178	1,406	1,544
						Accounts payable	525	612	846	1,067	1,198
						Short-term borrowing	0	0	0	0	0
						Others	176	276	331	339	346
						Long-term liabilities	50	57	33	37	41
						Shareholders' equity	2,736	3,928	4,278	5,005	5,791
						Common stock	1,008	1,188	1,189	1,189	1,189
						Capital reserve	288	413	740	915	1,110
						Retained earnings	1,433	2,316	2,338	2,889	3,480
						Others	6	12	11	12	12
Ratios (%)						Cash flow (NT\$m)					
Year to 31 Dec	2006	2007	2008F	2009F	2010F	Year to 31 Dec	2006	2007	2008F	2009F	2010F
Growth (% YoY)						Operating cash flow	1,329	2,551	1,489	2,027	2,867
Sales	60.1	41.1	18.9	19.5	18.4	Net profit	1,243	1,771	1,382	1,532	1,902
Operating profit	131.8	41.0	(17.2)	9.7	23.9	Depreciation and amortisation	105	127	150	167	200
EBITDA	119.4	39.5	(15.0)	9.8	23.6	Change in working capital	(12)	(312)	(214)	(230)	(135)
Net profit	124.6	42.5	(22.0)	10.9	24.1	Others	(7)	4	171	558	899
EPS	115.5	37.0	(30.8)	10.9	24.1	Investment cash flow	(914)	(789)	(747)	(444)	(377)
Profitability						Net capex	(72)	(85)	(271)	(293)	(220)
Net income/sales	28.9	29.2	19.2	17.8	18.6	Change in long-term investment	(843)	(592)	(343)	(9)	(9)
Net income/total assets (ROA)	43.1	42.4	26.7	25.7	27.5	Change in other assets	1	(112)	(134)	(143)	(148)
Net income/total net worth (ROE)	55.7	53.2	33.7	33.0	35.2	Free cash flow	415	1,762	741	1,583	2,490
Operating profit/sales	30.7	30.7	21.4	19.6	20.5	Financing cash flow	(229)	(575)	(1,148)	(1,240)	(1,651)
Effective income tax rate	1.19	2.91	6.55	5.44	5.47	Borrowing/proceeds from issuance	0	0	0	0	0
Stability						Bonus to Directors/employees	(9)	(87)	(108)	(158)	(294)
Long-term debt/equity (%)	1.85	1.46	0.77	0.74	0.72	Cash dividend	(240)	(504)	(1,009)	(1,062)	(1,336)
Current ratio (x)	4.10	4.37	3.68	3.73	4.14	Others	20	16	(32)	(20)	(21)
Quick ratio (x)	3.28	3.34	2.62	2.62	2.99	Net cash flow	186	1,187	(407)	344	839
Per-share data (NT\$)											
EPS	10.89	14.92	10.33	11.46	14.22						
CFPS	11.65	21.49	11.13	15.16	21.43						
BVPS	23.98	33.10	31.98	37.42	43.29						
Activity											
Asset turnover (x)	1.49	1.45	1.39	1.44	1.48						
Days receivable (days)	44.73	40.21	43.46	45.86	43.49						
Days inventory (days)	48.56	55.12	63.23	65.96	63.26						
Days payable (days)	44.60	36.87	42.83	45.19	42.86						
Cash cycle (days)	48.68	58.46	63.86	66.63	63.89						

Source: Company, Daiwa forecasts

Daiwa forex assumptions (vs. US\$)

Year end	Rmb	HK\$	W	S\$	NT\$	A\$	Bt	Rp
2006	7.810	7.780	929.6	1.534	32.596	1.294	36.100	8,994
2007	7.300	7.800	935.8	1.440	32.428	1.125	29.500	9,400
2008F	6.600	7.800	1,100.0	1.430	32.200	1.070	36.000	9,400
2009F	6.250	7.800	1,010.0	1.390	30.900	1.064	34.000	9,000
2010F	5.800	7.800	950.0	1.350	30.500	1.053	32.700	8,800

Source: Daiwa

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