

COMPANY UPDATE

ZyXEL Communications Corp. (2391.TW)

Neutral

Disappointing 3Q result; but visibility higher on carrier exposure**What's changed**

ZyXEL reported 3Q parent results, while consolidated results are not available yet. 3Q earnings of NT\$151mn was well below our estimate by 50%. Although 3Q sales were in line with our estimate, operating profit was 47% lower than our estimate. We attribute the lower than expected GM / higher opex ratio to fierce competition in the networking space and ZyXEL's inefficient opex control. The non-operating loss was roughly in line with our estimate. Forex loss impact due to Euro depreciation was mitigated by the reverse of inventory loss and bad debts provision.

Implications

While Zyxel continued to disappoint with its operating result with inefficient expense control. However, we note the company has only a small retail exposure and we believe its carrier-centered broadband business would be less affected by the current macro headwinds. In addition, we see greater visibility going into 2009, as Wimax should start to ramp up in late 2008 and the company has confirmed that its Taiwan Defense Dept contract should start to contribute in 2009. We also think the continuing depreciation of the Euro vs USD/NT\$ may put more pressure on pricing and margins. Therefore, we cut our '08-10E EPS by 41%-53%, after also factoring in a higher opex trend. We derive our new 12-m target price of NT\$26 (from NT\$25) after rolling over our 1XPEG valuation to '08E-11E. We maintain Neutral and suggest investors to stay on the sidelines until we are closer to the Wimax ramp-up and shipments related to the Defense Dept contract.

Valuation

ZyXEL is trading at 13X '09E EPS, below its historical trough of 15X. Downside risk for the share price could be limited in the near term, given ZyXEL's strong cash position (2Q08 cash is 27% of 10/28 market cap) and low valuation.

Key risks

Slower-than-expected ramp-up of WiMAX, DSL CPE/COE upgrade cycle.

INVESTMENT LIST MEMBERSHIP

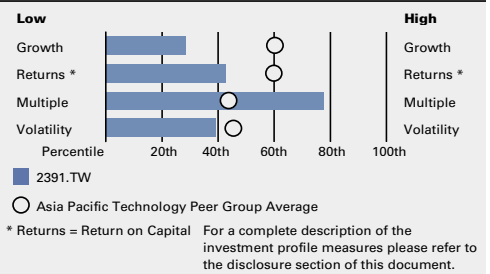
Neutral

Coverage View: Neutral

Taiwan:
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Investment Profile: ZyXEL Communications Corp.

Key data	Current
Price (NT\$)	22.45
12 month price target (NT\$)	26.00
Market cap (NT\$ mn / US\$ mn)	11,072.0 / 330.4
Foreign ownership (%)	19.8

	12/07	12/08E	12/09E	12/10E
EPS (NT\$) New	3.11	1.00	1.68	1.66
EPS revision (%)	0.0	(44.0)	(40.6)	(52.6)
EPS growth (%)	15.3	(67.8)	67.9	(1.0)
EPS (dil) (NT\$) New	3.11	1.00	1.68	1.66
P/E (X)	7.2	22.5	13.4	13.5
P/B (X)	1.1	1.3	1.2	1.2
EV/EBITDA (X)	11.3	8.0	7.4	7.5
Dividend yield (%)	5.7	7.1	2.6	4.6
ROE (%)	15.5	5.1	9.3	8.7

Price performance chart

Share price performance (%)	3 month	6 month	12 month
Absolute	(20.0)	(35.5)	(62.6)
Rel. to Taiwan SE Weighted Index	31.4	33.0	(18.2)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 10/28/2008 close.

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ZyXEL Communications Corp.: Summary financials

Profit model (NT\$ mn)	12/07	12/08E	12/09E	12/10E	Balance sheet (NT\$ mn)	12/07	12/08E	12/09E	12/10E
Total revenue	15,994.8	15,528.3	17,567.4	20,563.0	Cash & equivalents	4,954.6	2,069.8	1,650.6	1,851.5
Cost of goods sold	(10,898.3)	(10,444.2)	(11,917.0)	(14,243.2)	Accounts receivable	2,901.2	3,192.1	4,076.8	4,168.7
SG&A	(2,589.9)	(2,587.9)	(2,666.7)	(3,169.1)	Inventory	2,583.6	3,521.6	4,531.2	4,842.5
R&D	(1,022.7)	(1,627.0)	(2,039.2)	(2,255.2)	Other current assets	569.9	619.0	668.0	739.5
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	11,009.4	9,402.6	10,926.6	11,602.2
ESO expense	--	(76.1)	(144.3)	(142.5)	Net PP&E	2,079.3	2,094.8	2,191.6	2,269.0
EBITDA	1,901.3	1,126.1	1,265.3	1,237.4	Net intangibles	10.2	0.0	0.0	0.0
Depreciation & amortization	(417.4)	(333.1)	(465.0)	(484.5)	Total investments	746.5	585.8	585.8	585.8
EBIT	1,483.9	793.0	800.3	752.9	Other long-term assets	290.5	338.9	376.5	414.7
Interest income	71.2	40.3	35.7	46.8	Total assets	14,135.8	12,422.1	14,080.6	14,871.7
Interest expense	(4.9)	(10.8)	0.0	0.0	Accounts payable	1,848.4	2,201.4	3,027.5	3,321.1
Income/(loss) from uncons. subs.	0.2	0.0	0.0	0.0	Short-term debt	0.0	0.0	0.0	0.0
Others	290.5	(284.8)	0.0	0.0	Other current liabilities	1,401.6	1,525.0	1,737.1	1,904.6
Pretax profits	1,841.1	537.8	835.9	799.7	Total current liabilities	3,250.0	3,726.3	4,764.6	5,225.7
Income tax	(251.2)	(43.0)	(18.2)	2.2	Long-term debt	8.3	4.1	4.1	4.1
Minorities	14.6	(1.8)	10.2	17.9	Other long-term liabilities	25.0	30.1	33.1	36.5
Net income pre-preferred dividends	1,604.5	493.0	828.0	819.8	Total long-term liabilities	33.3	34.2	37.3	40.6
Preferred dividends	0.0	0.0	0.0	0.0	Total liabilities	3,283.3	3,760.6	4,801.9	5,266.4
Net income (pre-exceptionals)	1,604.5	493.0	828.0	819.8	Preferred shares	0.0	0.0	0.0	0.0
Post-tax exceptionals	0.0	0.0	0.0	0.0	Total common equity	10,809.1	8,612.2	9,232.4	9,564.1
Net income	1,604.5	493.0	828.0	819.8	Minority interest	43.4	49.3	46.4	41.2
EPS (basic, pre-except) (NT\$)	3.11	1.00	1.68	1.66	Total liabilities & equity	14,135.8	12,422.1	14,080.6	14,871.7
EPS (basic, post-except) (NT\$)	3.11	1.00	1.68	1.66	BVPS (NT\$)	20.94	17.46	18.72	19.39
EPS (diluted, post-except) (NT\$)	3.11	1.00	1.68	1.66					
EPS excl. ESO expense (basic) (NT\$)	3.11	1.14	1.95	1.93					
EPS excl. ESO expense (dil.) (NT\$)	3.11	1.14	1.95	1.93					
DPS (NT\$)	1.27	1.60	0.59	1.04					
Dividend payout ratio (%)	40.8	160.4	34.9	62.5					
Free cash flow yield (%)	13.3	(8.4)	(0.6)	7.2					
Growth & margins (%)	12/07	12/08E	12/09E	12/10E	Ratios	12/07	12/08E	12/09E	12/10E
Sales growth	14.4	(2.9)	13.1	17.1	ROE (%)	15.5	5.1	9.3	8.7
EBITDA growth	40.6	(40.8)	12.4	(2.2)	ROA (%)	11.7	3.7	6.2	5.7
EBIT growth	33.1	(46.6)	0.9	(5.9)	ROACE (%)	25.6	7.5	11.0	9.8
Net income growth	15.8	(69.3)	67.9	(1.0)	Inventory days	88.2	106.7	123.3	120.1
EPS growth	15.3	(67.8)	67.9	(1.0)	Receivables days	67.8	71.6	75.5	73.2
Gross margin	31.9	32.7	32.2	30.7	Payable days	60.8	70.8	80.1	81.3
EBITDA margin	11.9	7.3	7.2	6.0	Net debt/equity (%)	(45.6)	(23.8)	(17.7)	(19.2)
EBIT margin	9.3	5.1	4.6	3.7	Interest cover - EBIT (X)	NM	NM	NM	NM
					Valuation	12/07	12/08E	12/09E	12/10E
Cash flow statement (NT\$ mn)	12/07	12/08E	12/09E	12/10E	P/E (analyst) (X)	7.2	22.5	13.4	13.5
Net income pre-preferred dividends	1,604.5	493.0	828.0	819.8	P/B (X)	1.1	1.3	1.2	1.2
D&A add-back	417.4	333.1	465.0	484.5	EV/EBITDA (X)	11.3	8.0	7.4	7.5
Minorities interests add-back	(14.6)	5.5	(3.0)	(5.2)	Dividend yield (%)	5.7	7.1	2.6	4.6
Net (inc)/dec working capital	300.4	(875.3)	(1,068.0)	(109.5)					
Other operating cash flow	1,503.1	(435.7)	243.8	120.4					
Cash flow from operations	3,810.8	(479.3)	465.9	1,310.1					
Capital expenditures	(349.5)	(481.4)	(561.8)	(561.8)					
Acquisitions	0.0	(15.9)	(37.6)	(38.2)					
Divestitures	71.9	87.6	0.0	0.0					
Others	(1,761.4)	55.3	0.0	0.0					
Cash flow from investments	(2,039.1)	(354.4)	(599.4)	(600.0)					
Dividends paid (common & pref)	(655.2)	(790.7)	(288.7)	(512.6)					
Inc/(dec) in debt	(11.0)	(8.1)	0.0	0.0					
Common stock issuance (repurchase)	10.1	(1,816.1)	3.0	5.2					
Other financing cash flows	(48.2)	563.9	0.0	(1.8)					
Cash flow from financing	(704.2)	(2,051.1)	(285.7)	(509.2)					
Total cash flow	1,067.5	(2,884.8)	(419.2)	200.9					

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

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Exhibit 1: Disappointing 3Q result from ZyXEL

ZyXEL Communications (2391.TW) Summary P&L (NT\$mnn)	3Q2008 (parent, post-bonus)			3Q2008 (parent, pre-bonus)			2Q2008 (QoQ)		3Q2007 (YoY)	
	Actual	GS est.	Diff.	Actual	GS est.	Diff.	Actual	%	Actual	%
Revenues	3,334	3,499	-5%	3,334	3,499	-5%	3,737	-11%	3,456	-4%
Gross profits	852	1,057	-19%	856	1,068	-20%	1,146	-25%	961	-11%
Operating profits	214	402	-47%	235	456	-48%	489	-52%	496	-53%
Non-operating income	(63)	(78)	NM	(63)	(78)	NM	(94)	NM	(13)	NM
Pretax earnings	151	324	-53%	172	378	-54%	394	-56%	483	-64%
Net earnings	151	305	-50%	172	355	-51%	305	-43%	424	-59%
EPS (NT\$)	0.31	0.64	-52%	0.35	0.74	-53%	0.62	-43%	0.82	-58%
Ratio analysis										
Gross margin (%)	25.6%	30.2%		25.7%	30.5%		30.7%		27.8%	
EBIT margin (%)	6.4%	11.5%		7.0%	13.0%		13.1%		14.3%	
Tax expense (as % of EBT)	0.0%	6.0%		0.0%	6.0%		22.8%		12.3%	
Net margin (%)	4.5%	8.7%		5.2%	10.1%		8.1%		12.3%	
Margin analysis										
ROA (% , annualized)	4.9%	10.3%		5.6%	11.9%		9.9%		12.8%	
ROE (% , annualized)	6.5%	13.8%		7.4%	16.1%		13.0%		16.8%	

Source: Company data, Goldman Sachs Research estimates.

Exhibit 2: We cut our 2008-10E EPS by 41%-53% to factor in higher opex trend, and pressure on pricing and margin

Top: Non GAAP; Bottom: GAAP

ZyXEL Communications (2391.TW)									
P&L (non-GAAP, NT\$mnn)	2008E New	2008E Old	Diff.	2009E New	2009E Old	Diff.	2010E New	2010E Old	Diff.
Revenues	15,528	16,004	-3%	17,567	19,812	-11%	20,563	24,399	-16%
Gross profits	5,084	5,386	-6%	5,650	6,357	-11%	6,320	7,630	-17%
Operating profits	869	1,180	-26%	945	1,610	-41%	895	1,979	-55%
Non-operating income	(255)	(103)	NM	36	20	76%	47	34	37%
Pre-tax Profits	614	1,077	-43%	980	1,631	-40%	942	2,013	-53%
Net earnings	563	988	-43%	962	1,573	-39%	950	1,945	-51%
EPS (NT\$)	1.14	2.06	-45%	1.95	3.29	-41%	1.93	4.06	-53%
Margin analysis									
Gross margin (%)	32.7%	33.7%		32.2%	32.1%		30.7%	31.3%	
EBIT margin (%)	5.6%	7.4%		5.4%	8.1%		4.4%	8.1%	
Tax and minorities (as % of EBT)	5.9%	7.5%		1.9%	3.6%		-0.9%	3.5%	
Net margin (%)	3.6%	6.2%		5.5%	7.9%		4.6%	8.0%	
Return analysis									
ROA (% , annualized)	4.2%	7.2%		7.3%	11.1%		6.6%	12.0%	
ROE (% , annualized)	5.8%	10.0%		10.8%	16.5%		10.1%	18.6%	

ZyXEL Communications (2391.TW)									
P&L (GAAP, NT\$mnn)	2008E New	2008E Old	Diff.	2009E New	2009E Old	Diff.	2010E New	2010E Old	Diff.
Revenues	15,528	16,004	-3%	17,567	19,812	-11%	20,563	24,399	-16%
Gross profits	5,069	5,357	-5%	5,622	6,310	-11%	6,291	7,572	-17%
Operating profits	793	1,035	-23%	800	1,375	-42%	753	1,687	-55%
Non-operating income	(255)	(103)	NM	36	20	76%	47	34	37%
Pre-tax Profits	538	932	-42%	836	1,395	-40%	800	1,722	-54%
Net earnings	493	855	-42%	828	1,354	-39%	820	1,678	-51%
EPS (NT\$)	1.00	1.79	-44%	1.68	2.83	-41%	1.66	3.51	-53%
Margin analysis									
Gross margin (%)	32.6%	33.5%		32.0%	31.8%		30.6%	31.0%	
EBIT margin (%)	5.1%	6.5%		4.6%	6.9%		3.7%	6.9%	
Tax and minorities (as % of EBT)	5.6%	7.4%		1.0%	3.0%		-2.7%	2.6%	
Net margin (%)	3.2%	5.3%		4.7%	6.8%		4.0%	6.9%	
Return analysis									
ROA (% , annualized)	3.7%	6.3%		6.2%	9.5%		5.7%	10.4%	
ROE (% , annualized)	5.1%	8.6%		9.3%	14.2%		8.7%	16.0%	

Source: Goldman Sachs Research estimates.

Exhibit 3: ZyXEL's quarterly profit model (consolidated; NT\$m)

Non-GAAP basis

Summary P&L (non-GAAP)	3Q2007	4Q2007	1Q2008	2Q2008	3Q2008E	4Q2008E	1Q2009E	2Q2009E	2007	2008E	2009E	2010E	2011E
Net sales	3,702	4,387	3,325	4,267	3,894	4,042	3,702	3,906	15,995	15,528	17,567	20,563	24,465
Cost of good sold (COGS)	(2,412)	(2,905)	(2,321)	(2,758)	(2,628)	(2,738)	(2,497)	(2,656)	(10,898)	(10,444)	(11,917)	(14,243)	(17,437)
Gross profits	1,290	1,482	1,005	1,509	1,267	1,304	1,205	1,250	5,097	5,084	5,650	6,320	7,028
Operating expenses	(885)	(1,014)	(1,028)	(1,177)	(959)	(1,051)	(1,006)	(1,060)	(3,613)	(4,215)	(4,706)	(5,424)	(6,260)
SG&A	(572)	(794)	(667)	(784)	(545)	(591)	(565)	(597)	(2,590)	(2,588)	(2,667)	(3,169)	(3,809)
R&D	(314)	(221)	(360)	(393)	(414)	(460)	(441)	(462)	(1,023)	(1,627)	(2,039)	(2,255)	(2,451)
Operating profits	405	468	(23)	332	308	253	199	190	1,484	869	945	895	768
Non-operating incomes/(losses)	131	72	(155)	44	(152)	8	9	11	357	(255)	36	47	70
Earnings before tax (EBT)	536	540	(178)	376	156	260	208	201	1,841	614	980	942	838
Income tax credit/(expense)	(58)	(83)	10	(66)	15	(5)	(4)	(3)	(251)	(46)	(21)	3	66
Extraordinary gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority interests	(54)	61	(1)	(6)	1	1	1	1	15	(5)	3	5	10
Earnings after tax (EAT)	424	519	(169)	305	172	255	205	198	1,604	563	962	950	913
EPS (NT\$)	0.82	1.01	(0.34)	0.62	0.35	0.52	0.42	0.40	3.11	1.14	1.95	1.93	1.85
EPS (fully diluted; NT\$)	0.82	1.01	(0.34)	0.62	0.35	0.52	0.42	0.40	3.11	1.14	1.95	1.93	1.85
Ratio analysis and assumptions													
As % of sales													
Gross margin	34.8%	33.8%	30.2%	35.4%	32.5%	32.3%	32.6%	32.0%	31.9%	32.7%	32.2%	30.7%	28.7%
Operating expense ratio	-23.9%	-23.1%	-30.9%	-27.6%	-24.6%	-26.0%	-27.2%	-27.1%	-22.6%	-27.1%	-26.8%	-26.4%	-25.6%
Operating margin	10.9%	10.7%	-0.7%	7.8%	7.9%	6.3%	5.4%	4.9%	9.3%	5.6%	5.4%	4.4%	3.1%
Pretax margin	14.5%	12.3%	-5.4%	8.8%	4.0%	6.4%	5.6%	5.1%	11.5%	4.0%	5.6%	4.6%	3.4%
Tax rate (as % of EBT)	10.9%	15.3%	5.8%	17.5%	-9.8%	2.0%	1.8%	1.6%	13.6%	7.4%	2.2%	-0.3%	-7.8%
Net margin	11.4%	11.8%	-5.1%	7.1%	4.4%	6.3%	5.5%	5.1%	10.0%	3.6%	5.5%	4.6%	3.7%
QoQ growth (%)													
Sales	-7.9%	18.5%	-24.2%	28.3%	-8.7%	3.8%	-8.4%	5.5%					
Gross profits	4.1%	14.9%	-32.2%	50.1%	-16.0%	2.9%	-7.6%	3.7%					
Operating profits	13.1%	15.8%	NM	NM	-7.4%	-17.9%	-21.0%	-4.6%					
Non-operating profits	45.8%	-45.2%	NM	NM	NM	NM	14.8%	23.1%					
Pre-tax profits	19.7%	0.8%	NM	NM	-58.5%	66.8%	-20.0%	-3.5%					
Net profits	13.3%	22.4%	NM	NM	-43.5%	48.4%	-19.8%	-3.2%					
EPS (weighted averaged)	13.3%	22.4%	NM	NM	-43.5%	48.4%	-19.8%	-3.2%					
Yoy growth (%)													
Sales	31.8%	7.8%	-14.4%	6.1%	5.2%	-7.9%	11.3%	-8.5%	14.4%	-2.9%	13.1%	17.1%	19.0%
Gross profits	36.4%	50.2%	-7.4%	21.7%	-1.8%	-12.0%	20.0%	-17.1%	15.0%	-0.2%	11.1%	11.8%	11.2%
Operating profits	382.6%	247.4%	NM	-7.2%	-24.0%	-46.1%	NM	-42.7%	33.1%	-41.4%	8.7%	-5.2%	-14.3%
Non-operating profits	-62.8%	25.4%	NM	-51.1%	NM	-89.6%	NM	-75.9%	-38.0%	NM	NM	31.1%	49.7%
Pretax profits	22.7%	181.1%	NM	-16.0%	-70.9%	-51.9%	NM	-46.6%	8.9%	-66.7%	59.7%	-3.9%	-11.1%
Net profits	-10.6%	132.8%	NM	-18.6%	-59.4%	-50.7%	NM	-34.9%	15.8%	-64.9%	70.9%	-1.2%	-3.9%
EPS	-12.3%	128.4%	NM	-14.9%	-57.5%	-48.5%	NM	-34.9%	13.6%	-63.3%	70.9%	-1.2%	-3.9%
Dividend policies													
Cash dividends (NT\$ per share)									1.27	1.60	0.59	1.04	1.06
Payout ratio (%)									47.3%	49.3%	51.3%	53.3%	55.3%

Source: Company data, Goldman Sachs Research estimates.

Exhibit 4: ZyXEL's quarterly profit model (consolidated; NT\$m)

GAAP basis

Summary P&L (GAAP)	3Q2007	4Q2007	1Q2008	2Q2008	3Q2008E	4Q2008E	1Q2009E	2Q2009E	2007	2008E	2009E	2010E	2011E
Net sales	3,702	4,387	3,325	4,267	3,894	4,042	3,702	3,906	15,995	15,528	17,567	20,563	24,465
Cost of good sold (COGS)	(2,424)	(2,918)	(2,321)	(2,762)	(2,632)	(2,745)	(2,503)	(2,662)	(10,948)	(10,459)	(11,946)	(14,272)	(17,465)
Gross profits	1,279	1,469	1,005	1,505	1,263	1,296	1,199	1,244	5,047	5,069	5,622	6,291	7,001
Operating expenses	(945)	(1,084)	(1,028)	(1,190)	(976)	(1,082)	(1,030)	(1,083)	(3,868)	(4,276)	(4,821)	(5,538)	(6,370)
SG&A	(586)	(810)	(667)	(787)	(549)	(599)	(571)	(603)	(2,651)	(2,603)	(2,996)	(3,198)	(3,836)
R&D	(359)	(274)	(360)	(403)	(427)	(483)	(460)	(480)	(1,217)	(1,673)	(2,126)	(2,341)	(2,534)
Operating profits	334	385	(23)	315	287	214	169	161	1,179	793	800	753	631
Non-operating incomes/(losses)	131	72	(155)	44	(152)	8	9	11	357	(255)	36	47	70
Earnings before tax (EBT)	465	457	(178)	359	135	222	177	171	1,536	538	836	800	701
Income tax credit/(expense)	(51)	(70)	10	(62)	13	(5)	(3)	(3)	(210)	(43)	(18)	2	55
Extraordinary gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority interests	(71)	27	(1)	(6)	3	2	2	2	(27)	(2)	10	18	35
Earnings after tax (EAT)	344	414	(169)	292	151	220	176	171	1,299	493	828	820	791
EPS (GAAP, NT\$)	0.67	0.80	(0.34)	0.59	0.31	0.45	0.36	0.35	2.52	1.00	1.68	1.66	1.60
EPS (GAAP, fully diluted, NT\$)	0.67	0.80	(0.34)	0.59	0.31	0.45	0.36	0.35	2.52	1.00	1.68	1.66	1.60
Ratio analysis and assumptions													
As % of sales													
Gross margin	34.5%	33.5%	30.2%	35.3%	32.4%	32.1%	32.4%	31.8%	31.6%	32.6%	32.0%	30.6%	28.6%
Operating expense ratio	-25.5%	-24.7%	-30.9%	-27.9%	-25.1%	-26.8%	-27.8%	-27.7%	-24.2%	-27.5%	-27.4%	-26.9%	-26.0%
Operating margin	9.0%	8.8%	-0.7%	7.4%	7.4%	5.3%	4.6%	4.1%	7.4%	5.1%	4.6%	3.7%	2.6%
Pretax margin	12.6%	10.4%	-5.4%	8.4%	3.5%	5.5%	4.8%	4.4%	9.6%	3.5%	4.8%	3.9%	2.9%
Tax rate (as % of EBT)	10.9%	15.3%	5.8%	17.3%	-9.8%	2.0%	1.8%	1.6%	13.7%	8.0%	2.2%	-0.3%	-7.8%
Net margin	9.3%	9.4%	-5.1%	6.8%	3.9%	5.4%	4.8%	4.4%	8.1%	3.2%	4.7%	4.0%	3.2%
QoQ growth (%)													
Sales	-7.9%	18.5%	-24.2%	28.3%	-8.7%	3.8%	-8.4%	5.5%					
Gross profits	4.2%	14.9%	-31.6%	49.8%	-16.1%	2.7%	-7.5%	3.7%					
Operating profits	18.9%	15.2%	NM	NM	-9.1%	-25.2%	-21.3%	-4.9%					
Non-operating profits	45.8%	-45.2%	NM	NM	NM	NM	14.8%	23.1%					
Pre-tax profits	25.4%	-1.9%	NM	NM	-62.4%	64.3%	-20.0%	-3.5%					
Net profits	11.5%	20.2%	NM	NM	-48.1%	45.2%	-19.8%	-3.1%					
EPS (weighted averaged)	11.5%	20.2%	NM	NM	-48.1%	45.2%	-19.8%	-3.1%					
Yoy growth (%)													
Sales	31.8%	7.8%	-14.4%	6.1%	5.2%	-7.9%	11.3%	-8.5%	14.4%	-2.9%	13.1%	17.1%	19.0%
Gross profits	37.7%	52.6%	-6.4%	22.7%	-1.2%	-11.7%	19.3%	-17.4%	16.0%	0.4%	10.9%	11.9%	11.3%
Operating profits	NM	NM	NM	12.2%	-14.2%	-44.3%	NM	-49.1%	94.7%	-32.7%	0.9%	-5.9%	-16.2%
Non-operating profits	-62.8%	25.4%	NM	-51.1%	NM	-89.6%	NM	-75.9%	-38.0%	NM	NM	31.1%	49.7%
Pretax profits	39.2%	938.5%	NM	-3.2%	-71.0%	-51.4%	NM	-52.4%	30.0%	-65.0%	55.4%	-4.3%	-12.4%
Net profits	17.6%	330.9%	NM	-5.5%	-56.1%	-46.9%	NM	-41.5%	38.0%	-62.1%	67.9%	-1.0%	-3.6%
EPS	15.4%	322.7%	NM	-1.2%	-54.1%	-44.5%	NM	-41.5%	35.4%	-60.3%	67.9%	-1.0%	-3.6%
Dividend policies													
Cash dividends (NT\$ per share)									1.27	1.60	0.59	1.04	1.06
Payout ratio (%)									47.3%	49.3%	51.3%	53.3%	55.3%

Source: Company data, Goldman Sachs Research estimates.

Reg AC

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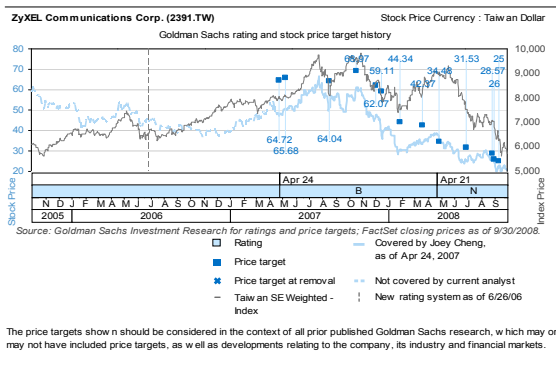
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