

Financial Analysis

Consolidated financial analysis (2012-2016) – Based on IFRS

		2012	2013	2014	2015	2016
Financial structure	Liabilities to assets ratio (%)	42.58	57.70	56.69	58.17	56.28
	Long-term fund to PP&E ratio (%)	170.33	182.99	199.33	192.85	253.36
Solvency	Current ratio (%)	79.43	50.33	61.41	57.70	89.87
	Quick ratio (%)	68.95	42.98	54.49	49.88	77.88
	Interest coverage ratio (%)	6,104.36	4,911.23	3,219.10	2,585.36	2,949.77
Operations	Accounts receivable turnover (x)	6.72	6.14	5.66	5.57	5.55
	Average collection days	54.31	59.44	64.48	65.52	65.76
	Inventory turnover (x)	13.05	12.00	12.19	12.46	11.08
	Accounts payable turnover (x)	9.01	9.53	10.03	11.11	11.45
	Average days sales	27.96	30.41	29.94	29.29	32.94
	Property, plant and equipment turnover (x)	2.45	2.54	2.51	2.46	2.60
	Total asset turnover (x)	0.99	0.79	0.77	0.75	0.76
Profitability	Return on assets (%)	16.99	13.53	11.00	10.84	10.72
	Return on equity (%)	29.48	27.34	25.51	26.19	25.54
	Pre-tax income as a % of paid-in capital	58.29	55.89	54.87	53.10	56.10
	Net income margin (%)	16.59	14.49	13.79	13.92	13.66
	EPS (NT\$)	6.07	5.79	5.56	5.76	5.63
Cash flow	Cash flow ratio (%)	86.82	42.37	53.00	43.57	83.45
	Cash flow adequacy ratio (%)	129.18	111.11	106.30	99.96	99.82
	Cash reinvestment rate (%)	9.63	6.18	7.50	5.43	8.79
Leverage	Operating leverage	2.07	2.13	2.66	2.84	2.74
	Financial leverage	1.02	1.02	1.03	1.04	1.03
Others (Note)	EBITDA (NT\$'000)	30,529,287	31,003,599	31,295,941	32,284,941	33,871,581
	EBITDA margin (%)	30.61	28.60	27.79	27.80	29.04

Explanation of significant changes in 2016 compared with the previous year:

- (1) The long-term fund to PP&E ratio, current ratio, quick ratio and cash flow ratio all increased due to the issuance of convertible bonds and settlement of short-term borrowings in 2016.
- (2) The cash reinvestment rate increased due to higher operating cash inflows in 2016.

Note 1: The financial data for 2014 and 2013 do not include discontinued operations.

Note 2: IFRS was adopted starting 2013.

Stand-alone financial analysis (2012-2016) – Based on IFRS

		2012	2013	2014	2015	2016
Financial structure	Liabilities to assets ratio (%)	42.61	57.20	57.15	58.32	56.42
	Long-term fund to PP&E ratio (%)	228.82	265.54	270.52	258.53	375.18
Solvency	Current ratio (%)	54.21	34.63	28.64	33.19	60.90
	Quick ratio (%)	46.49	29.92	24.32	25.78	50.07
	Interest coverage ratio (%)	4,841.74	3,835.17	2,726.79	2,426.13	2,887.46
Operations	Accounts receivable turnover (x)	5.39	5.10	5.38	5.58	4.56
	Average collection days	67.71	71.56	67.84	65.41	80.04
	Inventory turnover (x)	10.10	11.13	11.42	8.34	6.07
	Accounts payable turnover (x)	10.28	11.46	12.34	13.52	14.38
	Average days sales	36.13	32.79	31.96	43.76	60.13
	Property, plant and equipment turnover (x)	2.27	2.69	2.67	2.58	2.69
	Total asset turnover (x)	0.71	0.59	0.59	0.59	0.57
Profitability	Return on assets (%)	17.73	13.71	11.28	11.49	11.26
	Return on equity (%)	29.48	27.34	25.51	26.19	25.54
	Pre-tax income as a % of paid-in capital	53.52	48.49	46.02	49.01	51.95
	Net profit margin (%)	23.37	19.74	18.38	18.74	19.02
	EPS (NT\$)	6.07	5.79	5.56	5.76	5.63
Cash flow	Cash flow ratio (%)	58.81	21.31	32.37	28.39	60.67
	Cash flow adequacy ratio (%)	128.55	103.57	89.23	77.55	74.13
	Cash reinvestment rate (%)	3.22	-	1.25	0.75	4.26
Leverage	Operating leverage	2.02	2.64	5.89	3.28	2.93
	Financial leverage	1.03	1.06	1.12	1.06	1.04

Explanation of significant changes in 2016 compared with the previous year:

- (1) The long-term fund to PP&E ratio, current ratio, quick ratio and cash flow ratio all increased due to the issuance of convertible bonds and settlement of short-term borrowings in 2016.
- (2) Both the inventories and accounts receivable of bundled product sales increased due to the termination of its direct store management contract with 100%-owned Taiwan Digital Service Co., Ltd. in 2015. As a result, the accounts receivable turnover and inventory turnover decreased, while the average collection days and average days sales increased.
- (3) The cash reinvestment rate increased due to higher operating cash inflows in 2016.

Note 1: The financial data for 2012-2016 have been duly audited by independent auditors.

Note 2: IFRS was adopted starting 2013.

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) (2009-2011 numbers were calculated based on ROC GAAP)
- (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)

Others

- (1) EBITDA = Operating income + Depreciation + Amortization
- (2) EBITDA margin = EBITDA / Net revenue

Consolidated financial analysis (2012) – Based on ROC GAAP

		2012
Financial structure	Liabilities to assets ratio (%)	44.99
	Long-term fund to fixed asset ratio (%)	146.88
Solvency	Current ratio (%)	64.72
	Quick ratio (%)	53.21
	Interest coverage ratio (%)	5,511.22
Operations	Accounts receivable turnover (x)	11.81
	Average collection days	30.91
	Inventory turnover (x)	13.24
	Accounts payable turnover (x)	8.96
	Average days sales	27.57
	Fixed asset turnover (x)	2.46
	Total asset turnover (x)	1.06
Profitability	Return on assets (%)	16.50
	Return on equity (%)	29.78
	% of paid-in capital	Operating income 54.77
		Pre-tax income 52.54
	Net profit margin (%)	15.18
Cash flow	EPS (NT\$)	5.46
	Cash flow ratio (%)	84.16
	Cash flow adequacy ratio (%)	130.24
	Cash reinvestment rate (%)	12.40
Leverage	Operating leverage	2.14
	Financial leverage	1.02
Others	EBITDA (NT\$'000)	26,985,307
	EBITDA margin (%)	27.47

Stand-alone financial analysis (2012) – Based on ROC GAAP

		2012
Financial structure	Liabilities to assets ratio (%)	45.93
	Long-term fund to fixed asset ratio (%)	201.57
Solvency	Current ratio (%)	40.77
	Quick ratio (%)	32.04
	Interest coverage ratio (%)	4,343.60
Operations	Accounts receivable turnover (x)	10.22
	Average collection days	35.71
	Inventory turnover (x)	10.09
	Accounts payable turnover (x)	10.28
	Average days sales	36.17
	Fixed asset turnover (x)	2.34
	Total asset turnover (x)	0.74
Profitability	Return on assets (%)	16.99
	Return on equity (%)	29.78
	% of paid-in capital	Operating income 33.06
		Pre-tax income 47.90
	Net profit margin (%)	21.60
Cash flow	EPS (NT\$)	5.46
	Cash flow ratio (%)	67.31
	Cash flow adequacy ratio (%)	133.23
	Cash reinvestment rate (%)	6.38
Leverage	Operating leverage	2.18
	Financial leverage	1.04

Note: All financial data have been duly audited by independent auditors.

Formulas for the above tables:

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- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
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- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
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 - (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + 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
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Others

- (1) EBITDA = Operating income + Depreciation + Amortization
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