

# High Tech Computer Corp.

## 1<sup>st</sup> Q BUSINESS REVIEW

CHENG, HUI-MING

April 25, 08'



# DISCLAIMER STATEMENT

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This presentation and release contains “forward-looking statements” which may include our future results of operations, financial condition or business prospects, are based on our own information and from other sources.

Our actual results of operations, financial condition or business prospects may differ from those expressed or implied in these forward looking statements for a variety of reasons, including risks of market condition, supply chain, market demand, and our ability to maintain a high quality products delivery.

The forward-looking statements in this release reflect the current belief of HTC as of the date of this release and HTC undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.

# PRESENTATION OUTLINE

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# 1<sup>st</sup> Q, 08' BUSINESS REVIEW

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- Quarterly revenue reached NT\$ 32.7 billion, representing a 38.6% YoY growth rate, exceeding business guidance provided.
- 3G devices account for 70% of shipment. ASP improved slightly QoQ
- GPM, excluding warranty services expense, was 36.1%, better than expected due to better product mix. RSGA expenses ratio was 8.9%, lower than expected due to less headcount added in offshore entities and deferred marketing expenses spending

# MATERIAL BOARD RESOLUTIONS

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- Dividend payout
  - Cash dividend NT\$ 34 per share
  - Stock dividend NT\$ 3 per share
- Employee bonus
  - Cash portion NT\$ 1.21 billion
  - No. of shares 10.32 million shares, representing 1.37% share dilution and 25.0% NPAT based on the closing price prior to the date of the board meeting and consideration to the price after ex-dividend
- Set up an investment company with NT\$ 300 million paid-in capital to facilitate the investment activities in future
- Approved US\$ 5 million capital increase in HTC Suzhou to meet the factory's business development needs with sufficient working capital

# 1<sup>st</sup> Q, 08' P&L – PRE-EMPLOYEE BONUS (EB)

(NT\$ B)	<u>1Q 07*1</u>	<u>YOY</u>	<u>4Q 07*1</u>	<u>QOQ</u>	<u>1Q 08</u>
REVENUES	23.60	38.6%	39.01	-16.2%	32.70
<u>GROSS PROFIT</u>	<u>7.40</u>	<u>59.7%</u>	<u>13.50*2</u>	<u>-12.5%</u>	<u>11.81</u>
<u>RSGA EXPENSE</u>	<u>1.67</u>	<u>74.2%</u>	<u>3.47</u>	<u>-16.0%</u>	<u>2.91</u>
NOP	5.73	56.0%	10.45	-14.4%	8.95
NPBT	6.02	51.9%	10.87	-15.9%	9.14
NPAT	5.54	50.2%	9.99	-16.8%	8.32
GPM(%)	31.3%		34.6%		36.1%
RSGA RATIO(%)	7.1%		8.9%		8.9%
EPS *3(NT\$)	12.78		17.43		14.51

\*1Warranty service and inventory scrap(07Q1:NT\$385M; 07Q4:NT\$0) were included in COGS in this statement

\*2The gross profit of 07Q4 excluded one time IP recovery of NT\$1.67 billion

\*3The EPS was calculated based on the outstanding shares at the time

# 1<sup>st</sup> Q, 08' P&L – POST-EMPLOYEE BONUS (EB)

(NT\$ B)	<u>1Q 07*1</u>	<u>YOY</u>	<u>4Q 07*1</u>	<u>QOQ</u>	<u>1Q 08</u>
REVENUES	23.60	38.6%	39.01	-16.2%	32.70
(EB ADJ in COGS)	0.15	7.9%	0.26	-40.4%	0.16
<u>GROSS PROFIT</u>	<u>7.25</u>	<u>60.7%</u>	<u>13.24*2</u>	<u>-12.0%</u>	<u>11.66</u>
<u>RSGA EXPENSE</u>	<u>2.91</u>	<u>46.1%</u>	<u>5.70</u>	<u>-25.6%</u>	<u>4.25</u>
(EB ADJ in RSG&A)	1.23	7.9%	2.23	-40.4%	1.33
ADJ NOP	4.35	71.2%	7.95	-6.2%	7.46
ADJ NPBT	4.64	65.0%	8.37	-8.6%	7.65
ADJ NPAT	4.17	66.6%	7.54	-7.9%	6.94
ADJ GPM(%)	30.7%		33.9%		35.6%
ADJ RSGA RATIO(%)	12.3%		14.6%		13.0%
ADJ EPS*3 (NT\$)	9.55		13.16		12.12

\*1 Warranty service and inventory scrap(07Q1:NT\$385M; 07Q4:NT\$0) were included in COGS in this statement

\*2The gross profit of 07Q4 excluded one time IP recovery of NT\$1.67 billion

\*3The EPS was calculated based on the outstanding shares at the time

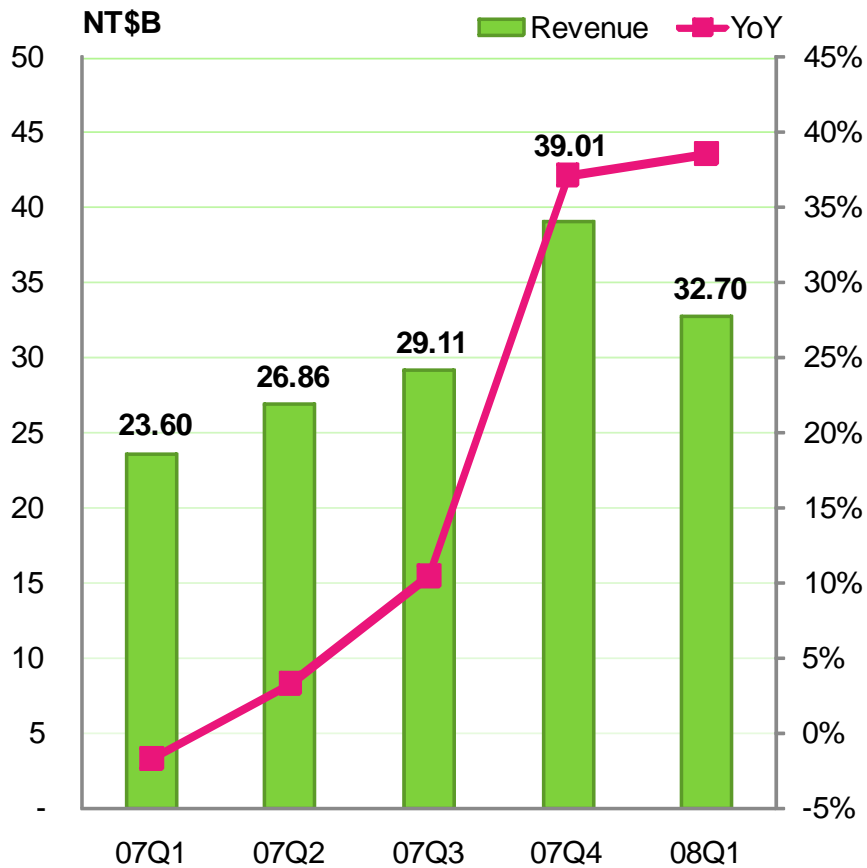
# 1<sup>st</sup> Q, 08' KEY FINANCIALS

<u>(NT\$ B)</u>	<u>1Q 07</u>	<u>YOY</u>	<u>4Q 07</u>	<u>QOQ</u>	<u>1Q 08</u>
CASH	38.91	63.1%	55.04	15.3%	63.47
AR	16.69	-0.1%	19.48	-14.5%	16.67
INVENTORY	4.31	79.7%	6.12	26.7%	7.75
NET WORTH	46.38	35.7%	56.08	12.2%	62.93
INVENTORY PROVISION	1.28	-11.7%	0.92	23.0%	1.13
AR PROVISION	0.01	n.a.	0.27	7.7%	0.29
WARRANTY PROVISION	1.44	179.3%	3.47	15.9%	4.02

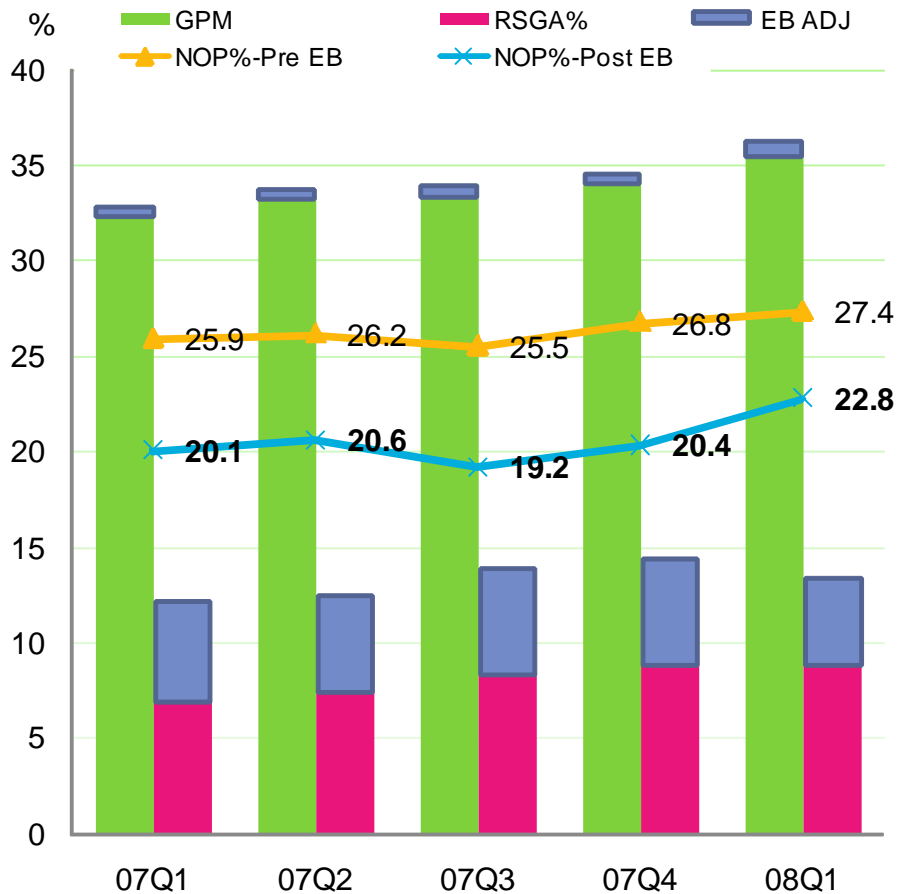


# FACT SHEET UPDATES – BUSINESS STATUS

## REVENUE

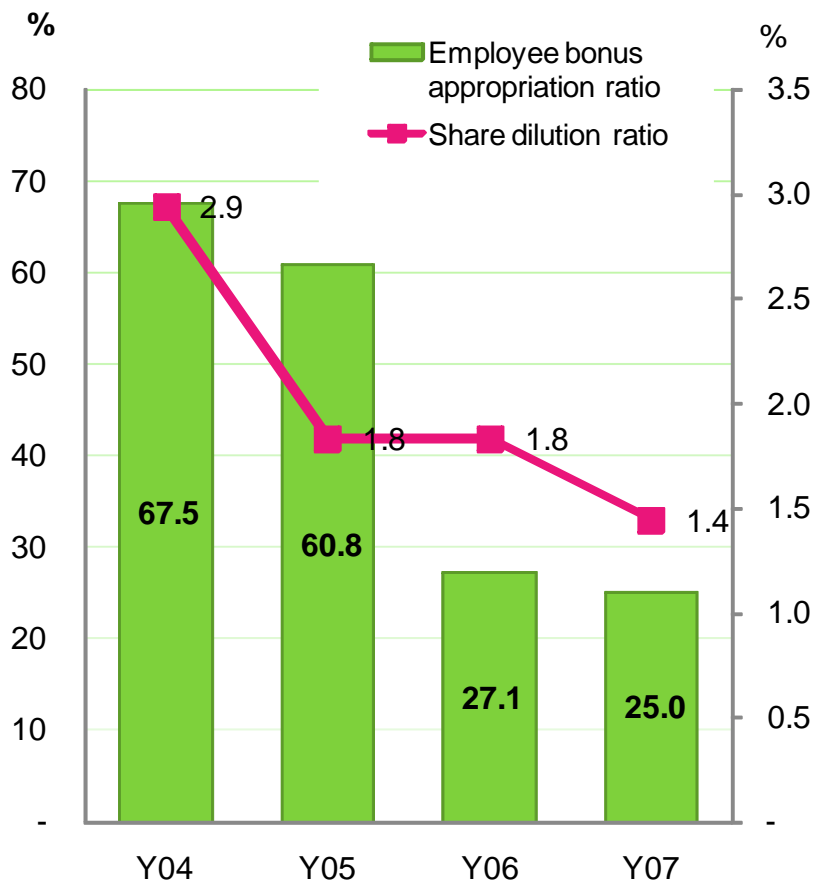


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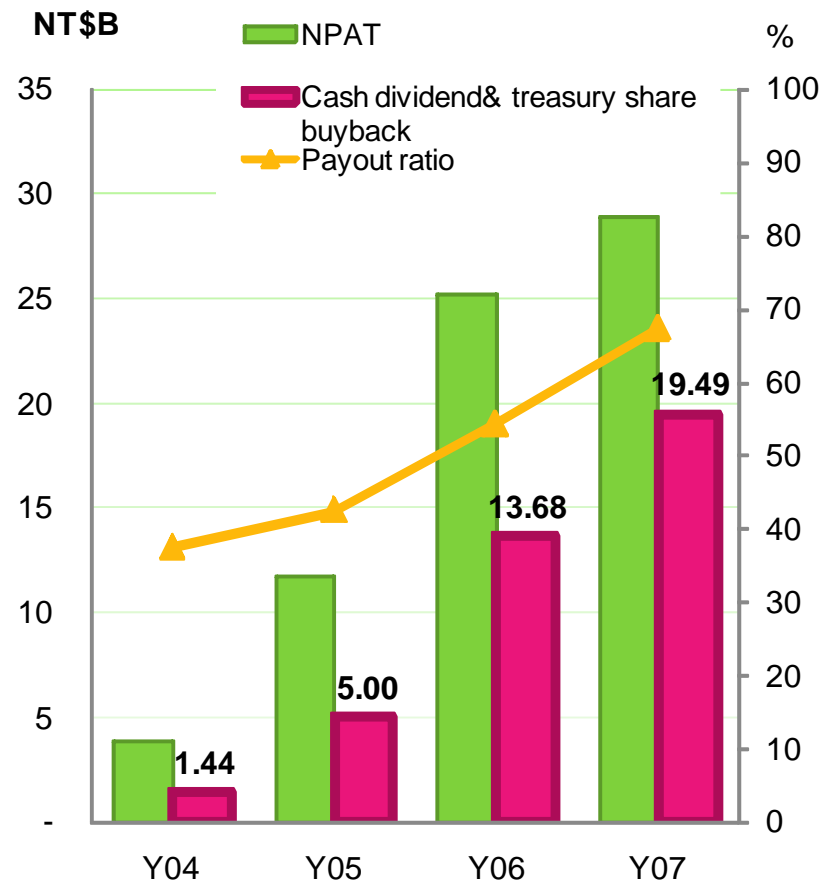


# FACT SHEET UPDATES – SHAREHOLDER INTERESTS

## EMPLOYEE BONUS



## DIVIDEND DISTRIBUTION



\*Bonus share price valued at the closing price prior to the date of shareholder meeting except for 07's shares which is valued at the date of April 24, 08, the previous date of the board meeting making decision of the employee bonus distribution

## 2<sup>nd</sup> Q, 08' BUSINESS OUTLOOK

- The 2<sup>nd</sup> Q revenue expects to grow around mid 20% on YoY basis, or around NT\$34 billion. The potential growth rate could be affected by the hangover effect from new product launch
- GPM expects to be 0.5% to 1% lower than that of the 1<sup>st</sup> Q, 08' level, around 35.5% to 35%, due to a one time inventory write down on one exclusive product for one operator
- RSGA expense ratio expects to be around 11% due to new product launch and salary adjustment. Operating profit margin of 2<sup>nd</sup> Q is expected to be between 24% and 25%
- Tax will be increased by around NT\$ 353 million due to the 10% tax rate applied to the undistributed earnings of Y07 profits

# QUESTIONS CONCERNED

1. Please explain FX impact on business in the 1<sup>st</sup> Q

*A: Revenue decreased slightly when NT\$ appreciates. Operating income not affected because the US\$ based revenue and expenses are naturally hedged and the EU\$ appreciation is around the same ratio as NT\$ against US\$. The FX gain under the non-operating income was reduced.*

2. Please comment the product features of the new product to be launched this Q

*A: Appreciate your interests in this new product. We will announce the details in the product launch event on May 6.*

3. Please explain why the Y08 employee bonus dilution is not 18% as advised before

*A: The board resolution for the employee bonus was 18% of NPAT before the employee bonus adjustment which became the expenses allocated into COGS and RSGA items. These expenses reduce the taxable earnings or gain the tax shelter resulting lower dilution ratio on NPAT before and post employee bonus adjustment.*

4. Please advise when the launch schedule for Android platform device is and comments on the product feature compared with MS OS based device

*A: The expected launch date is the 4<sup>th</sup> Q. We could not share much of the product features until late stage.*