

# High Tech Computer Corp.

## 3<sup>rd</sup> Q BUSINESS REVIEW

CHENG, HUI-MING

Oct. 30, 07'



# DISCLAIMER STATEMENT

---

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

---

- EXECUTIVE SUMMARY
- INDUSTRY OBSERVATION
- MANAGEMENT ACHIEVEMENT
- 3<sup>rd</sup> Q, 07' BUSINESS REVIEW
- 3<sup>rd</sup> Q, 07' KEY FINANCIALS
- 4<sup>th</sup> Q, 07' BUSINESS OUTLOOK
- THE 4<sup>th</sup> Q NEW DEVICE FACT SHEET

# EXECUTIVE SUMMARY

---

- The operational result of the 3<sup>rd</sup> Q came above the business guidance provided before. YOY revenue growth was 10.4%
- The business outlook of the 4<sup>th</sup> Q is sound, expecting around a 20% YOY growth, primarily due to a 40% YOY strong growth from non ODM business
- HTC has taken necessary initiatives to meet the opportunities and challenges presented by the industry migration as evidenced by the success of HTC Touch product series

# INDUSTRY OBSERVATION

---

- The ecosystem of the converging devices is gradually in shape
  - The widespread installment of 3G network among 1<sup>st</sup> tier operators
  - Product design more mass market driven addressing either personal experience or personal communication needs
  - The arrival of friendly user interface
  - The non-traditional handset vendors such as Apple enter the market present opportunity and challenge
- Mobile converging devices gradually migrate from the current complimentary mobile device to primary mobile device

# MANAGEMENT ACHIEVEMENT

---

- **Technology platform migrating from 2.5G to 3.5G in HSDPA and CDMA commercialized. HTC new products will be 3G above dominant.**
- **HTC TouchFlo™ leads friendly user interface in the market**
- **Business successfully transforms into operator and own brand (channel) dominance –replace low margin business with good margin and growing business. ODM business accounts less than 10% revenues in the 4Q Y07.**
- **HTC brand recognition successfully builds up along with the global launch of HTC Touch. Own brand business penetrates into emerging markets successfully. Achieved Co brand on product with selected major operators.**
- **Dopod Int'l integration proven success. HTC business rides along with the market growth efficiently and becomes the leading converging device brand in Asia**
- **HTC Touch is the No. 1 volume product since launching. HTC Touch addresses the attributes responding to the industry transition and penetrates into the mass market.**
- **HTC Touch product series extend to Touch Dual and Touch by HTC™(CDMA)**



# 3<sup>rd</sup> Q, 07 BUSINESS REVIEW

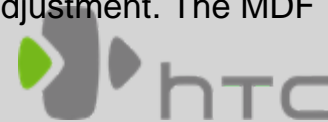
- The 3<sup>rd</sup> Q revenue was NT\$ 29.1 bil., a 10.4% YoY growth, above the business guidance provided.
- Non ODM business growth rate in this quarter was 30% plus on YoY basis.
- The Dopod integration generates higher revenue growth/gross profits in Asia and accrues higher SMO expenses in managing the retail channel operation
- GPM was 37.9% and RSGA expenses/revenue ratio was 12.3%. The higher GPM was due to better product mix and lower ODM business. The higher than expected RSGA expenses ratio is due to increase in the warranty provision reserves, bad debt provision reserves, higher marketing expenses associated the launch of HTC Touch, and higher warranty expenses. A significant portion of these increased expenses is non cash expenses but accrued reserves.
- The increase in RSGA spending is associated with the build up of an operation platform to support the transition from the ODM business into the operator and own brand business in the sales thru, brand recognition, supply chain, quality services and risk management activities. This operating platform will facilitate the business growth of non ODM business.
- NPAT was NT\$ 7.43 bil., a 10.8% YoY growth.

# 3<sup>rd</sup> Q, 07' KEY FINANCIALS

<u>(NT\$ Bil.)</u>	<u>3Q 06*</u>	<u>YOY</u>	<u>2Q 07</u>	<u>QOQ</u>	<u>3Q 07**</u>	<u>1Q-3Q 07</u>	<u>YOY</u>
<b>REVENUES</b>	26.36	10%	26.86	8%	29.11	79.57	4%
<b>GROSS PROFIT</b>	8.93	24%	9.95	11%	11.04	29.22	20%
<b>RSGA EXPENSE</b>	1.98	81%	2.93	22%	3.58	8.63	58%
<b>NPBT</b>	7.06	14%	7.24	11%	8.03	21.28	12%
<b>NPAT</b>	6.71	11%	5.98	24%	7.43	18.95	6%
<b>GROSS MARGIN(%)</b>	33.9%		37.0%		37.9%	36.7%	
<b>RSGA RATIO(%)</b>	7.5%		10.9%		12.3%	10.9%	

\* The revenues, gross profits and RSGA numbers of the 3<sup>rd</sup> Q are before MDF and MIR adjustment. The MDF and MIR adjustment are recognized in 4<sup>th</sup>Q for the whole year

\*\*Warranty provision increased by NT\$400 million in 3Q 07





# 3<sup>rd</sup> Q, 07' KEY FINANCIALS






<u>(NT\$ Bil.)</u>	<u>3Q 06</u>	<u>YOY</u>	<u>2Q 07</u>	<u>QOQ</u>	<u>3Q 07</u>
<b>CASH</b>	30.44	33%	45.09	-10%	40.61
<b>AR</b>	15.57	29%	17.80	13%	20.03
<b>INVENTORY</b>	5.66	5%	4.81	23%	5.92
<b>EQUITY</b>	35.40	30%	38.66	19%	46.10

## 4<sup>th</sup> Q, 07' BUSINESS OUTLOOKS

---

- The 4<sup>th</sup> Q revenue YOY growth rate is expected to be around 20% range.
- Non ODM YOY growth rate is expected to grow around 40% due to the introduction of new devices and the recovery of the CDMA market space in the US market
- The GPM is expected to be sustainable. The RSGA expense ratio is likely to be around 11.5%

# THE 4<sup>th</sup> Q NEW DEVICE FACT SHEET

<b>Device</b>						
<b>Model</b>	TyTN II	6800	Touch Dual	Touch by HTC™	T-Mobile Shadow	Shift
<b>Vendor</b>	ATT/EU operators	SPCS/VZW	EU& Asia operators	SPCS	TMO	Open channel
<b>Tech.</b>	HSDPA	CDMA 1X/EVDO	HSDPA	CDMA 1X/EVDO	EDGE	HSDPA
<b>Special feature</b>	Tilting touch screen, GPS	256MB ROM, Jogwheel	TouchFlo™	TouchFlo™	Consumer smart phone	SnapVUE™

