

IT Materials	
Share price	Target price
NT\$43.3	NA

Reason for note	Company Update
Coverage	Not Rated

Trading Data	
Beta	0.67
% Upside to TP	--
52-week range (NT\$)	34.84-43.30
Market cap. (NT\$m)	10,020
Market cap. (US\$m)	335
Shares outstanding (mn)	231
Avg. daily volume (mn)	0.88
Avg. daily value (NT\$m)	37.65
Major shareholders (%)	15.82
FINI (%)	13.10
Dom. Inv. Trust (%)	0.06
Long Margin (%)	5.07

Key Ratios	
	2012
Shareholder's Equity (NT\$m)	8,615
ROA (%)	4.88
ROE (%)	11.73
Net gearing (%)	57.19

Performance	%		
	1-mth	3-mth	12-mth
Company	3.2	9.6	9.1
TAIEX	0.3	2.8	-0.2
Current TAIEX: 7918.61			

Revenue Breakdown (2012)	
	%
Semiconductor material	17%
IT/IA material	38%
PCB/MB manufacturing materials and equipment	8%
LCD application material/equipment	19%
Opto electronics/green energy	13%

Major Customers	
	%
TSMC (2330 TT), UMC (2303 TT), Hon Hai (2317 TT), Cheng Uei (2392 TT), Compal (2324 TT), Compeq (2313 TT), Nanya (2408 TT), CPT (2475 TT), Coretronic (5371 TT)	

Major Competitors	
Topco Scientific (5434 TT)	

[Translated from a Mandarin report published on APR 1]

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## Wah Lee (3010 TT)

Not Rated

*Mild growth in 2013 revenue, fairly valued*

[Translated from a Mandarin report published on APR 1]

**Company profile:** Wah Lee Industrial Corp (Wah Lee) is an industrial material distributor and developer with business scope covering semi-conductor materials, engineering plastic materials, electronics/mechanical industrial materials, opto-electronics and green energy, and advanced development.

**Event: Company Update**

**Analyst Comment:**

- **1Q13F EPS at NT\$0.76 (vs. 4Q12's NT\$0.97) on low seasonality:** Revenue slid for all product lines except solar related products, which saw increased shipment thanks to anti-dumping and anti-subsidy investigations in Europe against its Mainland competitors. For 1Q13, we estimate revenue at NT\$7.61bn (-2.8% QoQ, -1.7% YoY), GM at 8.8%, net profit at NT\$0.18bn (-21.2% QoQ, -26.7%YoY), and EPS at NT\$0.76.
- **2Q13F EPS will rebound to NT\$0.94 as sales, margins improve:** For IT/IA products, Wah Lee's active efforts to develop new application areas paid off with a breakthrough in a NB casing product that is now in the certification process and will start contributing to revenue in 2H13 (our estimate). Wah Lee is also aggressively seeking certification for its auto-use plastics. In regards to solar products, revenue will dip as it adopts commission basis, but GM will improve. In the semiconductor segment, foundry business will retain advanced process utilization at a high level. As for memory products, we predict rebounding prices will rekindle client shipment, which will help fuel growth of relevant consumables. We forecast 2Q13 revenue at NT\$8.11bn (+6.6% QoQ,-2.0% YoY), GM at 9.2%, net profit at NT\$0.22bn (+22.4% QoQ, -2.0% YoY), and net EPS at NT\$0.94.
- **2012/2013 financials:** 2012 revenue arrived at NT\$31.55bn (+1.0% YoY), GM at 9.1%, net profit at NT\$1.04bn (+3.0% YoY), and EPS at NT\$4.24. For 2013, we project revenue at NT\$33.10bn (+4.9% YoY), GM at 9.2%, net profit at NT\$1.02bn (-1.83% YoY), and net EPS at NT\$4.41.
- **Modest growth in 2013, fair valuation:** We expect modest growth in major product lines in 2013 and believe the stock is currently fairly valued now at 10X P/E.

FYE 31st Dec (NT\$m)	2009	2010	2011	2012	2013F
Revenue	19,225	27,023	31,224	31,545	33,099
% chg	(20.77)	40.56	15.55	1.03	4.93
Gross profit	2,315	3,200	2,821	2,857	3,056
Gross margin (%)	12.04	11.84	9.03	9.06	9.23
Op. profit	677	1,172	939	834	913
EBITDA	1,227	1,965	1,523	1,494	1,277
% chg	(10.50)	60.15	(22.49)	(1.90)	(14.52)
Net profit	843	1,471	1,014	1,040	1,021
% chg	9.34	74.50	(31.07)	2.56	(1.83)
EPS* (NT\$)	3.64	6.36	4.39	4.50	4.41
Consensus EPS* (NT\$)	3.45	6.50	5.59	4.39	4.64
PER (x)	11.90	6.81	9.86	9.62	9.82
PBR (x)	1.38	1.28	1.24	1.16	1.16
BVPS* (NT\$)	31.30	33.77	35.04	37.23	37.23
DPS (NT\$)	1.55	2.30	3.50	2.30	2.50
Yield (%)	4.59	4.81	6.18	5.97	5.77

\*Adj. for current shares

Source: CMoney, SinoPac Forecasts; Consolidated, APR 2013

## Wah Lee (3010 TT)

### 2013 product line overview

In terms of semiconductor consumables, foundries will focus on 28nm in 2013 while 20nm products will begin shipment in end-2013. Since company has passed 20nm certification, we predict stronger growth in 2014 than in 2013. As for TFT LCD, given company's capability of providing clients with total solution through integrating t-con, touch IC, driver IC and PWM IC, we project shipment will increase sequentially along with the booming mid- to low-end smartphone development. In regards to the most heavily weighted IT/IA material products, given the decelerating growth in 3C applications, company has diversified into new application of high-performance plastics including NB casing, home appliances, medical treatment, and food packing. We expect relevant revenue to continue growing and become the major revenue growth engine in the future.

**Fig.1: 2013 quarterly income statement (NT\$m, unless noted)**

(NT\$m,%)	1Q13F	2Q13F	3Q13F	4Q13F	2013F
Revenue	7605	8110	8740	8645	33099
Gross Profit	670	749	844	793	3056
Operating Profit	137	181	319	275	913
Pretax Profit	221	270	415	370	1277
Net Profit	177	216	332	296	1021
EPS	0.76	0.93	1.43	1.28	4.41
QoQ revenue growth	(2.78)	6.64	7.77	(1.09)	--
YOY revenue growth	(1.67)	(2.04)	13.37	10.51	4.93
Gross Margin	8.81	9.24	9.66	9.17	9.23
Operating Margin	1.8	2.23	3.65	3.18	2.76
Net Margin	2.33	2.66	3.8	3.42	3.08

Source: CMoney, SinoPac, APR 2013

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