# Acer Inc. Q1, Y2006 <br> <br> Investor Conference 

 <br> <br> Investor Conference}

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# Consolidated Financial Results 

Howard Chan
CFO \& V.P.

## Consolidated Income Statement ( $1^{\text {st }}$ Quarter)

| (NT\$ Million) | $1 Q^{\prime} 06$ |  | $1 Q^{\prime} 05$ | Change |  |
| :--- | ---: | ---: | :---: | ---: | :---: |
| Revenue | 82,996 | $100 \%$ | $65,710_{(\mathrm{b})}$ | $100 \%$ | $+26 \%$ |
| Gross Profit | 8,844 | $10.7 \%$ | 7,981 | $12.1 \%$ | $+11 \%$ |
| Operating Expenses | 6,919 | $8.3 \%$ | 6,041 | $9.2 \%$ | $+15 \%$ |
| Operating Income | 1,925 | $2.3 \%$ | $1,940_{(\mathrm{b})}$ | $3.0 \%$ | ${ }^{*(\mathrm{~b})}$ |
| Non-Operating Income | 3,307 | $4.0 \%$ | 618 |  |  |
| PBT | $\frac{5,232}{4,021}$ | $6.3 \%$ | $4.8 \%$ | $\underline{2,558}$ |  |
| PAT | $\underline{1.82}$ |  | $\underline{0.97}$ |  |  |
| EPS |  |  |  |  |  |

Note: (a) Figures in 1Q'06 are un-audited
(b) Operating Income growth rate in $1 Q^{\prime} 06$ is $33 \% ~ Y / Y$ on comparable base after excluding the one-time special gains in 1Q'05

## Hit Rate of 2006 Financial Forecast

| (NT\$ Million) | Actual <br> $1 Q^{\prime} 06$ | Forecast <br> $1 Q^{\prime} 06$ | Hit Rate <br> $\%$ | Forecast <br> Y2006 | Hit Rate <br> $\%$ |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Revenue | 82,996 | 81,912 | $101.3 \%$ | 400,029 | $20.8 \%$ |
| Operating Income | 1,925 | 2,059 | $93.5 \%$ | 10,779 | $17.9 \%$ |
| Non-Operating Income | 3,307 | 1,734 |  | 2,535 |  |
| PBT | $\underline{5,232}$ | 3,793 | $137.9 \%$ | $\underline{13,314}$ | $39.3 \%$ |
| PAT | $\underline{4,021}$ | $\underline{3,018}$ | $133.2 \%$ | $\underline{10,018}$ | $40.1 \%$ |

Note: Figures in 1Q'06 are un-audited

## Consolidated Revenue and Gross Margin



Note: Figures in 1Q'06 are un-audited

## Consolidated Operating Income



Note: (a) Figures in 1Q'06 are un-audited
(b) Operating Income in 1Q'05 includes one-time special gains

## Consolidated Balance Sheet

| (NT\$ Million) | Mar. 31, 2006 |  |
| :--- | ---: | ---: |
| Current Assets |  |  |
| Cash and cash equivalence | 29,692 | $17 \%$ |
| Financial Assets-Current | 7,876 | $4 \%$ |
| Notes \& Account receivable | 71,771 | $41 \%$ |
| Inventory | 26,300 | $15 \%$ |
| Others | 7,618 | $4 \%$ |
| Total Current Assets | $\mathbf{1 4 3 , 2 5 8}$ | $82 \%$ |
| Long-term Investment | 13,311 | $8 \%$ |
| Financial Asset-Non current | 4,471 | $2 \%$ |
| Property, plant and equipment | 9,470 | $5 \%$ |
| Others | 5,249 | $3 \%$ |
| Total Asset | $\mathbf{1 7 5 , 7 5 9}$ | $100 \%$ |
| Account payable | 67,802 | $39 \%$ |
| Other current liabilities | 31,088 | $17 \%$ |
| Current Liabilities | $\mathbf{9 8 , 8 9 0}$ | $56 \%$ |
| Total Liabilities | $\mathbf{1 0 1 , 8 1 3}$ | $58 \%$ |
| Total Shareholders' Equity | $\mathbf{7 3 , 9 4 6}$ | $42 \%$ |

Healthy Financial Ratio

- Current Ratio : 145\%
- Quick Ratio : 111\%
- Liability Ratio : 58\%
- D/E Ratio : 138\%


## Holding \& Investment Business

|  | Percentage of <br> Ownership | Market Value <br> (NT\$ M) | Book Value <br> (NT\$ M) | Potential Gain <br> (Apr. 26,2006) |
| :--- | :---: | :---: | :---: | :---: |
| Major Shareholdings |  |  |  |  |
| BenQ | $5.3 \%$ | 3,712 | 1,704 | 2,008 |
| Wistron | $23.8 \%$ | 11,267 | 5,877 | 5,390 |
|  |  |  |  |  |
| TSMC | $0.1 \%$ | 2,485 | 706 | 1,779 |
| Hon Hai | $0.1 \%$ | 869 | 133 | 736 |
| CDIB | $1.0 \%$ | 1,388 | 1,263 | 125 |
| Taiwan Fixed Network | $3.3 \%$ | $1,233^{*}$ | 2,100 | $(867)$ |
| Others** |  | 8,373 | 7,122 | 1,251 |
| Total |  | 29,327 | 18,905 | 10,422 |

Note: The above numbers are valued on Apr. 26, 2006

* Share price is based on Emerging Stock Market
* *Others include Venture Capital Business


## Dividend \& Employee Bonus

- Dividend Policy (NT\$ per share )

| Year | EPS | Stock | Cash |
| :---: | :---: | :---: | :---: |
| 2002 | 4.46 | 1.033 | 2.066 |
| 2003 | 3.61 | 0.505 | 2.525 |
| 2004 | 3.38 | 0.6 | 2.3 |
| 2005 | 3.83 | 0.2 | 3.0 |

Employee Bonus (Percentage of 90\% PAT plus or minus Special Reserve)

| Year | Stock | Cash |
| :---: | :---: | :---: |
| 2002 | $7 \%$ | $1 \%$ |
| 2003 | $6.4 \%$ | $1.6 \%$ |
| 2004 | $6.4 \%$ | $1.6 \%$ |
| 2005 | $4.0 \%$ | $4.0 \%$ |

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# Business Review 

Gianfranco Lanci
President
acer

## IT Product Revenue Breakdown

## Q1, 2006

NT\$71,782 Million


■ Notebook
■ Display
Desktop PC

- Others

Note: Others include servers, projector and IA products

$\begin{array}{ll}\square \text { Notebook } & \text { Desktop PC } \\ \square \text { Display } & \square \text { Others }\end{array}$

## IT Product Revenue Breakdown by Geography

Q1, 2006
NT\$71,782 Million

## Q1, 2005

NT\$52,903 Million


- EMEA
- Asia Pacific

■ China

Note: (a) Asia Pacific excludes Greater China (Taiwan, HK, and Mainland China)
(b) EMEA stands for Europe, Middle East and Africa

## Inventory Turnover Days (ADS)



## Operating Expenses \% Trend



# Acer Business Status \& Strategy 

## J.T. Wang

Chairman \& CEO

## I . Top 5 PC Brands Worldwide (1Q’06)

|  | Market Share |  |  |  | Unit Growth |
| :--- | :--- | :---: | :---: | :---: | :---: |
| Rank |  | $1 Q^{\prime} 06$ | $4 Q^{\prime} 05$ | $1 Q^{\prime} 05$ | YoY |
| 1 | Dell | $16.5 \%$ | $16.3 \%$ | $16.9 \%$ | $10.2 \%$ |
| 2 | HP | $14.9 \%$ | $15.0 \%$ | $13.8 \%$ | $22.3 \%$ |
| 3 | Lenovo | $6.0 \%$ | $6.9 \%$ | $6.1 \%$ | $10.5 \%$ |
| 4 | ZCOM | $5.0 \%$ | $5.5 \%$ | $3.9 \%$ | $45.5 \%$ |
| 5 | F.S. | $3.9 \%$ | $3.9 \%$ | $4.2 \%$ | $6.6 \%$ |
| Overall Market |  |  |  |  | $13.1 \%$ |

Source: Gartner Dataquest (April, 2006)

## Remarks

1. Acer and HP gained market share from Q1'06 YoY for unit shipment; Acer's growth was more than double of HP's. Other top-five players experienced declining share.
2. Acer's market share was $1 \%$ less than Lenovo, but our growth rate more than quadrupled Lenovo's. We have the opportunity to become world's No. 3 PC brand in 2007.
3. HP's growth rate bettered Dell in the past six months. HP is Acer's major competitor at this stage.

## II. Acer’s 2006 Financial Forecast

1. Consolidated revenue: NT\$400 billion

PAT: NT\$10 billion
2. High confidence in achieving targets despite of intensive competition.
3. Revenue: Better-than-expected growth in the U.S. and China can compensate lower growth in other regions.
4. PAT: Better-than-target non-operating income gives Acer head start in achieving total PAT of NT\$10 billion.
5. Operating Income: We consider it highly possible to keep within the range of $\pm 10 \%$ compared with our 2006 financial forecast.

## III. Business Growth Strategy

We will continue to pursue fastest growth when operating margin can be maintained in the range of $3 \%$ for Acer's IT product business by 2007. Balancing revenue growth and profit from the U.S. market is our key objective.


[^0]:    * 10\% for Legal Reserve

