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**COMPANIES INVOLVED**
2324.TW, 2353.TW, 2356.TW, 2376.TW, 2382.TW, 3009.TW, 3231.TW, AMAT, AMD, ATHR, AUO, AUTH, DELL, GLW, HIMX, HPQ, IDTI, INTC, LSI, LXK, MRVL, MU, NVDA, SMSC, SNE, STX, SYNA, WDC, 2317.TW

# Taking Stock : Initial June Taiwan Data Very Positive, Well Above Seasonal Norms

**EVENT** Leading Taiwanese Tech Companies All Reporting June Results Well Above Seasonal Norms
**CAUSE** Strength In PC, LCD Supply Chains
**IMPACT** Positive For PC, LCD Supply Chain Names
**ACTION** Already Positive On PC Supply Chain Names (4.9.09), AMAT; Adding GLW, HIMX

**EVENT: VERY STRONG JUNE THUS FAR.** Taiwanese companies report revenues on a monthly basis, and while many have not yet reported, several large tech names have already reported June results that are well above seasonal norms. In descending order, by revenues, we note the following significant reports:

- **Quanta (2382.TW):** the world's largest notebook ODM reported Jun revs of NT$61.938B (US$1.886B). Results were +34.1% M/M, well above a 7-yr seasonal avg of +13.8%. The results imply Q2 revs of NT$159.961B (US$4.871B), +7.0% Q/Q, above a 7-yr seasonal avg of +5.0% Q/Q. Significant customers include HPQ (25% of revs), DELL (22%), and Acer (10%). (For additional details, see our Connexiti Supply Chain Event Commentary sent yesterday, 7.8.09).
- **Wistron (3231.TW):** Wistron reported June revs of NT$47.746B (US$1.449B). The +18.7% M/M increase is in line with a 6-yr avg of +17.6%. The results imply Q2 revs of NT$125.977B (US$3.822B), +17.9% Q/Q, well above a 6-yr seasonal avg of +7.6% Q/Q. Significant customers include Dell (20%), as well as Acer, HPQ, and SNE.
- **Acer (2353.TW):** Acer, the world's 3rd largest PC vendor, reported Jun revs of NT$44.187B (US$1.339B. The results were up +27.2% M/M, well above a 6-yr historical avg of +16.5%. The Jun results put Q2 revs at NT$108.436B (US$3.285B); the increase of +14.1% Q/Q is well above a 6-yr avg of +1.0%. (For additional details, see *Acer : Huge June; Positive PC Data Point*, 7.8.09).
- **Inventec (2356.TW):** Inventec reported Jun revs of NT$36.336B (US$1.102B). The M/M increase of +27.2% is well above a 7-yr avg of +10.0%. The Jun results imply Q2 revs of NT$97.647B (US$2.963B), for a Q/Q increase of +9.1%, above a 7-yr avg of +5.6%.
- **AU Optronics (AUO; 2409.TW)**: AUO, a leading provider of both large (>10") and small (<10") TFT-LCD panels, reported Jun revs of NT$29.952B (US$908.8M). The M/M increase of +9.2% is well above a 7-yr avg of -3.0%. The Jun results imply Q2 revs of NT$81.446B (US$2.471B), for a Q/Q increase of +61.4%, well above a 7-yr avg of +14.5%. AUO's largest customer is Samsung (005930.KS).
- **Chi Mei Opto (3009.TW):** CMO, another large provider of TFT-LCD panels, reported Jun revs of NT$26.297B (US$797.9M). The M/M increase of +14.2% is well above a 7-yr avg of -3.0%. The Jun results imply Q2 revs of NT$69.588B (US$2.111B), for a Q/Q increase of +59.8%, well above a 6-yr avg of +8.0%. AUO's largest customer is Samsung (005930.KS). CMO's largest suppliers include HIMX (62% of revs from CMO) and GLW (10% of revs from CMO). With this note, we are initiating long positions on both names. Frankly, LCD supply chain data has been positive for some time, but we did not get on board as early as we did with other names and trends. Still, GLW has traded sideways for the past 3 months, and the data and outlook is much better now than it was back then. We acknowledge that we have already missed a big percentage move in HIMX, but the stock is down over the past week, and the data should continue to improve from here. The positive LCD data should also benefit AMAT, a name on which we're already positive; AMAT receives ~10% of its revs from LCD manufacturing equipment.

**CAUSE: PC, LCD STRENGTH.** The common denominator amongst all these names is their exposure to the PC market: while netbooks and notebooks are clearly stronger than desktops (and servers), the two subsectors of the PC industry are more than large enough to move the needle in the PC supply chain, as evidenced by strong guidance from a host of names outside Taiwan, including MU, MRVL, NVDA, SMSC, and STX in recent weeks.

**IMPACT/ACTION: REITERATE POSITIVE PC SUPPLY CHAIN VIEW.** We view these results as continuing this trend of better-than-expected PC supply chain data. Using Connexiti's software, we identified a positive trend in PC supply chain data back in early April (see *SMSC: Positive PC Supply Chain Indicator*, 4.9.09). While we have not yet heard from big names like Hon Hai and Asustek, we reiterate our long position on several PC supply chain names, including AMD, ATHR, AUTH, DELL, HPQ, IDTI, INTC, LSI, LXK, MRVL, MU, NVDA, STX, SYNA and WDC. As PCs are one of the biggest drivers of semiconductors, we view this data point as broadly throughout the semiconductor supply chain as well. For more information, see our BizMaps at www.connexiti.com.