Advanced Semiconductor Engineering, Inc.
2nd Quarter 2016 Earnings Conference & Conference Call
July 29, 2016
3:00 p.m. Taiwan Time

Kenneth Hsiang, Head of IR of ASE Group:
Hello. I am Ken Hsiang, the Head of Investor Relations for ASE. Welcome to ASE Group's second quarter 2016 earnings release. All participants consent to having their voice and questions broadcast via participation of this event.

Please refer to page 1 of our presentation, which contains our safe harbor notice. I would like to remind everyone on this call that the presentation that follows may contain forward-looking statements. These forward-looking statements are subject to a high degree of risk and our actual results may differ materially from these forward-looking statements.

For the purposes of this presentation, dollar figures are generally stated in New Taiwan Dollars unless otherwise indicated.

For this earnings release, Dr. Tien Wu, our Chief Operating Officer, will be giving a set of opening remarks. After which, I will be going over the financial results. Joseph Tung, our CFO, along with Dr. Wu, will be answering questions during our Q&A session. Following the event, our VP in charge of public relations, Eddie Chang, will be addressing the media in Mandarin Chinese. Dr. Wu.

Dr. Tien Wu, COO of ASE Group: Good afternoon, thank you for joining the second quarter earnings announcement of ASE. I would like to give you a brief business recap and outlook. First of all, the second quarter, which we just completed, we have seen a broad-base rebound in communication, consumer, automotive and also industrial markets. So it's a broad-base rebound, comparing to first quarter.

ASE Group's revenue, up by 0.4% quarter on quarter. IC ATM revenue, up 8.3% quarter on quarter. We're seeing the loading improvement between April to May, to June. So from a month-on-month perspective, we're seeing a strengthening of the loading. This ramping up continues well into the third quarter. The third quarter outlook right now—we're seeing a general strength, driven by new product launch as well as continuation of seasonal demand.

Capacity has been tight in Q2. Much effort has been put into adding capacity. We're seeing Q3 we'll have about 5% more capacity coming online, and our utilization will also increase by another 5% comparing to Q2.

As we have stated before, we maintain the view of quarter-to-quarter growth for the second half of this year, on the consolidated revenue for the group.

I would like to give you an update on the SPIL transaction. As of this afternoon, we have submitted the joint application between SPIL and ASE to the Fair Trade Commission of Taiwan. Right now, we'll be waiting for the government's disposition as for the feedback.

In terms of the other application to the other authorities, we're also in preparation. Thank you. Ken.

Kenneth Hsiang: Thank you, Dr. Wu. We will now proceed to the financial review section. Please turn your slide to page 2—quarter-over-quarter consolidated P&L. For the quarter, we saw monthly pick-ups within our IC ATM business. We are capacity-constrained on a number of key product lines. However, we remain careful in our assessment of the overall market. Capacity expansion remains carefully monitored, and generally, remains in line with our previous estimates.

On a fully consolidated basis, for the second quarter, the company delivered fully diluted EPS of $0.51 and basic EPS of $0.61. Our packaging and testing businesses were both up 8%. Our EMS business was flat. Our direct materials business was down 15%. We booked other revenues of $0.3 billion related to real estate sales versus $2.7 billion in the first quarter. Total revenues for the Consolidated Group were flat at $62.6 billion. Gross profit increased 7% from $11.4 billion to $12.3 billion, with consolidated gross margins improving 1.2 percentage points from 18.4% to 19.6%.

Operating expenses edged up by $0.1 billion. Our operating expenses, as a percentage of sales, increased slightly to 10.1% as a result of higher R&D and salary expenses at EMS. Operating profit for the quarter was $5.9 billion, up $0.7 billion from $5.2 billion in Q1. Operating margins increased 1.2 percentage points from 8.3% to 9.5%. During the second quarter, we had a net non-operating gain of $0.5 billion, flat with the previous quarter. Included in this amount is our estimation of SPIL's contribution for the current quarter of $934 million and a write-down of equipment related to the discontinuation of one of our optical business lines.

Pretax profit for Q2 was $6.5 billion, up 14% from $5.7 billion in Q1. Income tax expense for Q2 was up to $1.5 billion from $1.3 billion in Q1. The higher effective tax rate this quarter was principally associated to our annual undistributed net earnings tax. We expect our effective tax rate to return to normalized levels next quarter. Net income for Q2 was $4.7 billion, up $0.5 billion from $4.2 billion in Q1. Net margin improved to 7.5% from 6.7% in Q1.

Page 3, quarterly results on a year-over-year basis. Here, you can see the company starting to turn the corner off of last year's downturn. Our packaging and test business improved 5% and 4%, respectively, on a year-over-year basis. Our direct materials and EMS business declined 10% and 28% respectively. It is worth noting that during Q2 of last year, our EMS business launched its wearable SiP product. On a year-over-year basis, our consolidated net revenues declined by 11%.

With our product mix being more heavily weighted towards IC ATM, our gross profits were up 6% with gross profit margins improving 3.1 percentage points from the previous year. Operating profits were up 10%, with operating margins improving 1.8 percentage points. Net profits were up 28% with net margins improving 2.3 percentage points.

Page 4, our IC ATM P&L. Please note the intercompany revenues including the SiP technology business – performed by our IC packaging business unit on behalf of our EMS business unit– are eliminated during consolidations. Our IC ATM net revenues improved by $3 billion, or by 8%, during the second quarter to $38.5 billion. Revenues for our IC packaging and testing businesses increased 9% and 8% respectively. Our direct materials business decreased by 14%.

As anticipated, our business improved along with typical seasonality. NT Dollar appreciation had a 1.32% unfavorable impact on revenue and 0.62% unfavorable impact to gross margins. Gross profit was up 22%, or $1.7 billion, to $9.6 billion. Gross margin improved 2.8 percentage points. The gross margin improvement was principally the result of the seasonally strong second quarter related to our core IC ATM business.

Raw materials were $8.5 billion, up $0.4 billion, 22% of total net revenues, down 0.9 percentage points. Labor cost, $7.5 billion, up $0.3 billion, 19.4% of total net revenues, down 0.8 percentage points.

D&A plus rental was $6.4B billion. It was flat, 16.6% of total net revenues, down 1.3 percentage points. Factory supplies of $3.8 billion was up $0.5 billion, was 9.8% of total net revenues, up 0.7 percentage points. Utility was flat at NT$1.3 billion, 3.4% of total net revenues, down 0.3 percentage points.

Gold price movement decreased IC ATM gross margin by 0.2%. We estimate that for every $50 of gold price movement, there will be a 0.1% impact to IC ATM gross margin. Operating expenses were flat at $4.6 billion. Operating expense percentage declined 1.0 percentage point to 12% from 13%. Our OPEX percentage decreased as a result of the inclusion of professional fees related to the tender offer in the first quarter. Operating margin was up 3.8 percentage points to 12.9% from 9.1% in Q1. Operating profit was up 54%, or $1.7 billion, to $5 billion.

Page 5, year-over-year. Here you can see our year-over-year comparison for IC ATM business. Given the downturn during 2015, you can see that we are in the midst of a modest recovery.

Packaging and testing businesses are up 2% and 4%, respectively. Our direct materials business is down 7%. Gross profit is up slightly at 1% improvement. Operating income, meanwhile, is down 3%, primarily related to a difference in the calculation of bonus recognition. Pretax income is up 15%, and net income is up 28%.

Page 6, packaging operations. In Q2, our packaging revenue increased 9% sequentially and 2% year over year to $31.2 billion. Our packaging gross margin increased 2.4 percentage points to 21.5% sequentially. The margin improvement was caused by higher loading as compared to the first quarter, resulting in higher revenues in a semi-fixed cost structure.

Raw materials was $9.3 billion, up $0.6 billion; as a percentage of sales, is 29.8%, down 0.5 percentage points of sales. Labor was $5.8 billion up $0.2 billion; as a percentage of sales, is 18.6%, down 0.9 percentage point of sales. D&A and rental expenses were flat at $4.4 billion; as a percentage of sales, is 14.2%, down 1.2 percentage points of sales. Factory supplies were $2.9 billion, up $0.4 billion; as a percentage of sales, is 9.4%, up 0.6 percentage points of sales. Factory supplies increased as a result of increased chemical consumption related to start-up of bumping and fanout factory lines. We would expect factory supplies to return to a more normalized rate in the coming quarter. Utility was flat at $0.9 billion, as a percentage of sales, 2.9%, down 0.3 percentage points of sales.

During the quarter, packaging capital expenditures were US$136 million, composed of: Wafer bump & flip chip equipment, at US$56 million; common & SiP equipment, at US$52 million; and wire bond-related equipment, at US$28 million.

Our capacity overview. During the quarter, we added 377 and retired 86 wire bonders. We exited the quarter with a total of 15,920 wire bonders in operation. 8-inch bumping capacity remained unchanged at 95,000 wafers per month and 12-inch bumping capacity including fanout increased 11,000 wafers to 100,000 wafers per month.

Test operations. Test revenues of $6.5 billion, were up 8.5% sequentially and 4.4% year over year. Gross profit margin was sequentially up 3.9 percentage points to 36.8%. The changes in gross margin were principally the result of higher seasonal loading in a semi-fixed cost environment. Overall, cost of services for test increased slightly to $4.1 billion as a result of increased factory supply consumption. Our testing utilization rate improved to the mid-to-high 70 percentiles. CAPEX for the test business was US$107 million in Q2. We added 205 and retired 29 testers during the quarter. At the end of Q2, our total tester count stood at 3,629.

Page 8, materials. Revenues for our materials business of $2.5 billion were sequentially up 9.1% and 11.1% year over year. During the quarter, $759 million was from sales to external customers, down 15% as compared to Q1. This decline was primarily the result of weak sales to memory-related customers. Our internal self-sufficiency rate increased to 37% from 31% by value. Gross margins were sequentially up by 1.9 percentage points to 18.8%. The gross margin increase was principally the result of higher loading and more favorable product mix as compared to the first quarter.

Page 9, IC ATM market segment. Our communications market segment share percentage increased from 51% to 52%. Our computing market segment stayed flat at 12%. Our automotive, consumer & others declined a percentage point to 36%. From a quarter-over-quarter perspective, we were effectively loaded a lot more by very similar applications. From a year-over-year perspective, our segment share generally shows lower loading within SiP and stronger computing segment performance.

Page 10, our EMS business unit. During the second quarter, revenues for our EMS business unit were sequentially up 0.4% to $24.9 billion from $24.8 billion. Revenues within our EMS business were ahead of where we anticipated as a result of slightly higher SiP revenue and revenues from engineering service fees related to product development. Revenues, year-over-year, were down 28% as compared to $34.6 billion in Q2 of 2015. This is primarily as a result of the inclusion of launch revenues related to our wearable SiP product in the year-ago quarter.

Gross margins increased 2.2 percentage points to 10.3%—principally as the result of engineering service fees recognized. Margins for our EMS business would be similar to previous quarter's margins without the inclusion of said engineering service fees. EMS gross profit increased to $2.6 billion. CAPEX for our EMS business unit was US$4 million during the second quarter.

EMS business segment mix. During the second quarter, our communications product segment decreased segment share from 51% to 46%, while our consumer, industrial and computing EMS segment share increased 3%, 1% and 1% respectively. Looking out into Q3, we would expect communication and consumer segments to ramp as our SiP season picks up.

Page 12, balance sheet. At the end of the quarter, we had cash, cash equivalents and current financial assets of $40.5 billion, decreasing from $49.4 billion the previous quarter. The cash decline was principally the result of capital equipment purchases and debt paydown in excess of operating cashflows.

Our interest-bearing debt declined slightly from $118.7 billion in Q1 to $110.4 billion in the current quarter. Our investment in SPIL of $48.8 billion is recorded in investments-equity method. As of June 30, 2016, total unused credit lines amounted to 185 billion NT dollars. EBITDA improved to $14 billion from $13.2 billion during the quarter.

Capital expenditures. Capital expenditures for the second quarter totaled US$257 million, of which US$136 million was used for packaging, US$107 million for testing, US$4 million for EMS and US$10 million for interconnect materials. EBITDA on an USD basis was $431 million for the second quarter. We continue to expect our capital expenditures for the year to be below our depreciation and amortization levels.

Looking out into the third quarter, we see strong loading across our core IC ATM product lines and across all market segments. Many of our customers are preparing for various end market product launches. As such, we believe customer order flow should remain strong throughout the quarter. Our SiP products should start picking up during the quarter. We will keep our expectations somewhat tempered for the time being. Expectations can be whatever they may be; in the end, it depends on the actions of the consumers. With SiP picking up, we believe our EMS business will start to get busier too.

For IC ATM, as our COO indicated, we see our capacity increasing 5% and our blended utilization rate increasing 5% also. Our IC ATM gross margin should be around fourth quarter 2015 levels.

For the EMS side, our SiP and Wi-Fi businesses should see a meaningful ramp during the quarter. We optimistically believe that business should approach second quarter 2015 levels. We also see our EMS gross margins normalizing from the previous quarter and should approach first quarter 2016 levels.

Q&A.

Randy Abrams of Credit Suisse: Okay. Thank you. It's Randy Abrams from Credit Suisse. The first question I wanna ask on the ASE-SPIL merger going through. If you could talk about the steps and the timeline, now that you've submitted the first application? How long do you expect the application process and target for closing? And if you could also talk about, just your initial view about any synergies you can get on operations or on the capex side?

Dr. Tien Wu: We submitted the application. It was a joint effort by SPIL and ASE. We've seen a lot of good spirit in terms of collaboration in filing this application. In terms of timeline, it's up to the government. In terms of preparations for the other authorities, we would like to have some initial feedback in terms of areas that we might need to augment, complement, or strengthen, before we do the application to the other authority. Right now, there is no timeline. However, I think it's both companies' wish, we would like this process to be as fast as we can.

In terms of synergy, right now the holding company has not been formed yet. So all of the collaborations are strictly confined and restricted to the application to the antitrust authorities. So at this point of time, we would not comment on any synergy or any collaboration, as prohibited by law. Thank you.

Randy Abrams of Credit Suisse: Second question, I wanna ask about the two, what could be growth areas. SiP, if you think we've reached a point of stabilization, like, because you've been rebalancing projects? If you can talk about the pipeline, and your lead customers, new customers? And you started an engineering line on the fanout, just a progress on fanout as well?

Dr. Tien Wu: Let me comment on the SiP. It’s difficult to say whether we have reached to a saturation point because the market demand for the SiP technology is very strong. As we have told you before about two years ago we have engaged with many customers on the SiP technology profitization. We have multiple customers engaged with us at various stage of development or early production.

I think the issue right now is most of the SiP related to system products—it tend to be small volume. The market acceptance, as well as how pervasive, or the standardization of SiP does take a longer time than we would like to see. At this point of time, we're comfortable in terms of the SiP overall product portfolio, in terms of capacity planning, P&L and also the margin roadmap. I think in terms of SiP, we remain to be very optimistic. We're hoping multiple product qualification as well as early production can yield to volume, which we'll be happy to report to all of you in due time.

Let me comment on the fanout. As we have reported, we have very strong demand from multiple segments as well as customers demanding different technology levels of fanout.

Fanout represents a technology that can be segmented into a much more complicated technology portfolio. As you can see that we have increased the fanout overall capacity in Q1 and Q2. You will see the similar effort well into Q3, Q4 as well as in the coming years. I think that was the answer you asked, right?

Randy Abrams of Credit Suisse: I guess for that if you expect…when you expect some contribution, or if by next year we could see some notable projects or it could be a few percent of revenue from that area?

Dr. Tien Wu: From SiP or fanout?

Randy Abrams of Credit Suisse: From the fanout. Like where you said there will be a lot of …sounds like capacity put in place the next few quarters? Like I guess if you can give an idea of how much capacity or how much type of revenue with this capacity by next year?

Dr. Tien Wu: It's difficult to give you an overall number because the fanout has different degrees of technology, right? But in the leading edge, we will have again…it's like all new technology on the leading edge, fanout we're seeing dramatic improvement—increase because of the overall demand. Right now it's capacity constraint. For the lower-end, we are seeing incremental improvement also, so I will not be able to give you a revenue increase for next year. But on the leading edge, it's gonna be dramatic. Yes.

Randy Abrams of Credit Suisse: Is it and should we think of it as the same application it will be volume in the mobile, smartphone space or is it other areas?

Dr. Tien Wu: Again, we have multiple customers engaging with us, with a different requirement. We won't be able to comment too specifically on that.

Randy Abrams of Credit Suisse: Okay. Though ask a question I wanted to ask, the EMS where margin went to 10% this quarter, if that engineering fee is a one-time, or if we should expect low season when there's less SiP, the gross margin could come back to that 10% range? Or put your guiding closer to 8%, is the right range for that business?

Joseph Tung, CFO of ASE Group: I think it's safer to say that it should be maintained at a normalized level. The engineering service revenue is recurring but it is also typically collected or booked during product development stage. But the magnitude of it, or the size of it is very different, depending on different projects. So I would suggest that we normalize the margin at EMS side at whatever you've seen in the first quarter of this year.

Randy Abrams of Credit Suisse: Thank you.

Kenneth Hsiang: Roland? Name and company, please.

Roland Shu of Citigroup: Good afternoon, Tien and Joseph. I'm Roland Shu of the Citigroup. First question, you talked about in Q2, several of your capacity were constrained. So can you clarify what kind of capacity was constrained? I think Tien talked about this leading-edge fanout capacity was constrained. And what else?

Dr. Tien Wu: I have to be careful here because a lot of customers are reading this report, right? We're seeing the general constraint in the testing. We're also seeing some wire bond, in the bumping, of course in the fanout. I think that pretty much covers majority of the advanced and the conventional packaging.

Roland Shu of Citigroup: Okay. And in 3Q we're going to increase 5% of the capacity. So what kind of the capacity we're going to increase?

Dr. Tien Wu: Okay, as we have discussed just now, you're seeing wire bonder. You're all seeing some good number of testers. I think you can refer to the previous page. You're also seeing a good percentage of increase in terms of the bumping and the fanout. So those are the specific example that we have already provided with data.

Roland Shu of Citigroup: Okay. So, by doing so, what kind of capex number we're going spend this year?

Dr. Tien Wu: The capex number remains to be per our previous guidance. The—what was it?

Roland Shu of Citigroup: Six hundred to eight…

Joseph Tung: Which will not be over the D&A that we have for the year.

Roland Shu of Citigroup: Okay.

Joseph Tung: Our D&A for the quarter is about 6.9 billion NT a quarter.

Roland Shu of Citigroup: Okay. How about the overall depreciation this year?

Joseph Tung: It will be very, very similar to the overall number last year.

Roland Shu of Citigroup: Okay, thank you. And then I think we have 5% capacity increase and 5% utilization increase. How about the ASP?

Dr. Tien Wu: ASP right now, because of capacity constraints, is quite steady.

Roland Shu of Citigroup: Steady means flat? Or are we going to see increase?

Dr. Tien Wu: Flat would be a good assumption. Yes.

Roland Shu of Citigroup: Okay, thank you. And for 3Q, consumer revenue for SiP is going to up. So can we assume this is due to the increase for or the resume for wearable SiP product?

Dr. Tien Wu: I would not comment on that. Thank you.

Roland Shu of Citigroup: Okay. The other question is in second quarter actually you know for this wearable SiP actually you know the revenue contribution have been very small. So last year actually we have built a lot of capacity for this wearable SiP. So going forward, in second half, when we starting to resume this wearable product, can old capacity be totally used for this new wearable project?

Dr. Tien Wu: No comment. I'm sorry, but.

Roland Shu of Citigroup: Okay. I don't know why, why cannot comment on this…this capacity.

Joseph Tung: Don't wanna get burned. I think in the general sense, most of the capacity that we put in place for the earlier generation is still in use. The additional investment required for the new-generation product is very, very limited. Although I think the loading or the utilization could be at a satisfactory level, but then that's in some of the product lines. It's because we did make some adjustments in terms of the overall capacity for that particular product. So right now we're going through a lot of steps in terms of streamlining that business, and to put it at the more satisfactory level.

Roland Shu of Citigroup: Okay. Thank you. Last question. What is the normalized tax level…tax rate level going forward?

Joseph Tung: I think somewhere around 20%.

Roland Shu of Citigroup: 20%—the whole year or every quarter?

Joseph Tung: On a quarterly basis.

Roland Shu of Citigroup: Quarterly basis is 20%.

Joseph Tung: Except whenever there's a dividend payout. If we don't pay the whole amount, then there's a tax on the retained earnings.

Roland Shu of Citigroup: That actually that was what happened in your second quarter, but for the 3Q, 4Q?

Joseph Tung: For the other quarters it should stay at around 20%.

Roland Shu of Citigroup: Okay. Thank you.

Rick Hsu from Daiwa Securities: Good afternoon. This is Rick from Daiwa Securities. Just one house-keeping question. Sorry I missed Ken…Ken was talking about the bumping capacity, 8-inch and 12-inch for Q2. Can you remind me again?

Joseph Tung: Hey, Ken?

Dr. Tien Wu: Ken is missing.

Kenneth Hsiang: Bumping capacity, right?

Rick Hsu from Daiwa Securities: Right, for 8-inch and 12-inch in Q2.

Kenneth Hsiang: 8-inch is 95,000, didn't change. 12-inch is up 11,000 wafers, to 100,000 wafers.

Rick Hsu from Daiwa Securities: Alright, so...Could Joseph please run through the utilization rates across the wire bond, bumping and testing in Q2?

Joseph Tung: Wire bond...we're at the...actually, for both wire bonding and flip chip bumping, we're at high 70s going to low-to-mid 80s in third quarter. Testing-wise, we're at mid 70s for the quarter, and we'll go up to around 80.

Rick Hsu from Daiwa Securities: Alright, so testing from high 70, go up to around 80s. That's for testing, right? Okay.

Joseph Tung: Testing is mid 70 to around 80.

Rick Hsu from Daiwa Securities: Mid 70s to around 80s. Okay. Thank you. Second question. About your deal with SPIL, now you're submitting the application for approval to several countries including, not only Taiwan, but could you run through—what would be the major other countries that you're waiting for—you're expecting for approval?

Joseph Tung: Well, I think the whole process actually takes different approvals from different authorities. One is of course the Fair Trade Commission—that includes Taiwan, China, and particularly the States. We are also subject to shareholders' approval. We each have to hold our respective shareholder meeting. And also for the formation of the holding company, we also need the SEC's approval for that.

Rick Hsu from Daiwa Securities: Alright. And which country would you expect to see more challenge than other countries?

Joseph Tung: We don't speculate on that. It's a normal application, and we are confident that, you know, all the things will be approved.

Rick Hsu from Daiwa Securities: Alright. Thank you so much.

Aaron Jeng of Nomura International: Thank you. Aaron Jeng from Nomura Securities. A question on your last quarter gross margin of IC ATM business, which you reported 24.8%. I recall last time your guidance was at...it's going to approach the 4Q2015 level, which was 26%. So can I say this margin result is slightly lower than what you thought three months ago?

Joseph Tung: Ah, it's a little bit...below. I think the bulk of it is because there was...some degree of pricing adjustments happened in the second quarter.

Aaron Jeng of Nomura International: Okay. So it's mainly the pricing issue is the...problem. The question, I'm not sure whether Roland already asked and you already answered. Because...regarding this wearable SiP, at one point in time, probably you ever said, because last year it was losing money, but this year, it can be probably...break-even. At least not losing money further. And is this guidance, or is this still your thought?

Dr. Tien Wu: Okay, this question is in-between "no comment" to some answers.

Aaron Jeng of Nomura International: Better than I thought.

Dr. Tien Wu: Alright? So...I will not be able to tell you whether this would be profitable, or losing money. We don't comment on specific products. However, we are moving in the right direction, as you can see from the earning announcement. Okay? Thank you.

Aaron Jeng of Nomura International: I have no other question, thank you.

Randy Abrams of Credit Suisse: Yes, I just have...a couple of follow-ups. The fourth quarter, I wanted to clarify the growth. I think you mentioned consolidated level. Do you have a view yet on the ATM, if you may also see growth? Or is it too early to call on ATM?

Dr. Tien Wu: I think you already said, it's too early to call. Because it not only depends on the end market for Q4, which is very difficult, it also depends on your baseline in Q3. For example, it really depends on the sell-through as well as the WIP in the Q3. As we can see that, now there are some capacity constraint in Q2. We're trying to resolve, carefully, the capacity constraint in Q3. If there's remaining WIP at the end of the Q3, which will go into Q4. So it really depends on the execution of the Q3, the market sell-through, as well as how do we manage the intricate balance between capacity versus the future outlook six to nine months down the road. We decided to add capacity because we believe the general demand for certain technology is real. For bumping, for fanout, for copper wire bond, for flip chip technology, and also for some of the high-end testing. We believe those are demands are real, well within the next few years. Which is why we add capacity. In general, the CAPEX, the capacity increase, how do we manage the global demand from all customers are very, very careful in Q1 and Q2, as with Q3 and well into Q4.

Randy Abrams of Credit Suisse: I'm gonna follow up to that. Your utilization is mid 80s, wire bond, test, 80. Is that what you'd consider now full capacity? Or are there some areas underutilized?

Dr. Tien Wu: We're trying to add more automation or IT system to enable the...However, historically, now the mid 80s is a good number. Now, we have done high 80s to low 90s, we have done that historically. However, you have other issues associated with this kind of capacity constraint. It depends on the product mix, and how much loading, and how much do you have in the wafer bank, so it's difficult. But, you know, sporadically, you might have some high 80s and low 90s, but in general, 85 is a good number. It’s a very good number to be in.

Randy Abrams of Credit Suisse: The last question that I have, for the product mix in EMS, consumer, comms, or leading, or ATM, any segments leading or lagging in your outlook for third quarter?

Dr. Tien Wu: Third quarter...we are seeing the...again, it's...all segments are strong. I'm not gonna tell you any particular segment that is relatively weaker, but right now we do see the general strength in all segments.

Randy Abrams of Credit Suisse: Thank you.

Kenneth Hsiang: Okay. Thank you very much.

<End of conference>