

Simmtech (222800 KQ)

John Park
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Rating **BUY**
maintain

6M TP (W) **66,000**
maintain

CP (W)
(22.03.21) **52,300**

Home appliances & Electronic components

1Q22 earnings to beat estimates

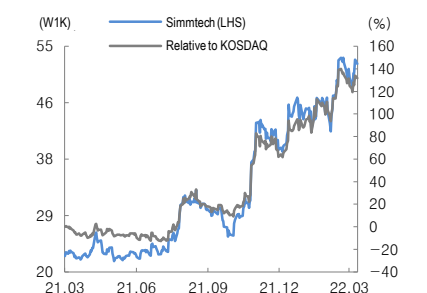
BUY; 6M TP maintained at W66,000

- We now believe the semiconductor parts maker will report OP of W75.2bn (up 2.7% qoq; up 391.0% yoy) on revenue of W396.3bn (up 1.6% qoq; up 40.0% yoy) for 1Q22, which are more optimistic than our previous forecast (W70.1bn in OP) and the consensus (W68.0bn OP on W380.2bn revenue).
- Behind its strong performance, likely the best among midsize package substrate vendors, there is an uptick in sales, especially its high-margin mSAP solutions (such as FC CSP, MCP, and GDDR6), which, coupled with the still-high factory utilization rates, are expected to drive up its OP margin to a record 19%.
- Taking into account the chipmakers' shift to the more sophisticated DDR5 DRAM, which will translate into increased sales of module PCBs and related solutions (FC BOC), and higher selling prices, which will help boost its OP margin, we revise up our 2022 EPS estimate by 7.6%. Simmtech is still a BUY at W66,000 (9.7x 2022E EPS) a share. It remains our top pick for the sector.

2022 OP forecast to rise 86.3% to a record W316.9bn

- The solid 1Q22 performance will put the company on track to achieve its best-ever results for the whole of 2022. We expect its OP and revenue to reach W316.9bn (up 86.3%) and W1.69tn (up 23.6%), respectively, the highest annual figures among domestic midsize package substrate vendors. The stock remains undervalued, trading at 7.8x the new 2022 EPS estimate.
- Fueling the optimism is a spate of new growth drivers the company is investing in such as FC CSP and SiP, whose sales and average selling prices are on an upward trajectory. Simmtech, the largest provider of module PCBs and FC BOC, also stands to benefit this year from the expanding application of the next-gen DDR5 DRAMs.

KOSDAQ	918.4
Market cap (Wbn)	1,666
Market cap portion (%)	0.42
Paid-in capital (common; Wbn)	16
52w high/low (W)	53,200 / 21,650
120d avg. trading volume (Wbn)	41.2
Foreign ownership (%)	14.34
Major shareholders	Simmtech Holdings+8: 33.28% NPS: 6.11%
(%)	1M 3M 6M 12M
Abs. return	10.3 26.9 76.7 126.4
Rel. return	6.2 37.8 101.3 134.7



	1Q21	4Q21	Previous estimate	Daishin estimate	1Q22(F)			2Q22		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	283	390	390	396	40.0	1.6	380	410	26.2	3.4
OP	15	73	70	75	391.0	2.7	68	77	146.6	2.4
NP	6	33	48	52	715.0	57.3	47	52	206.9	0.8

Operating results and major financial data

	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,364	1,685	1,787	1,850
OP	90	170	317	322	301
Pretax profit	75	154	300	306	285
NP	56	110	219	224	208
NP (controlling int.)	57	109	217	221	206
EPS	1,943	3,362	6,797	6,947	6,462
PER	11.8	13.6	7.8	7.6	8.2
BPS	9,884	11,912	18,597	25,224	31,366
PBR	2.3	3.8	2.8	2.1	1.7
ROE	25.1	32.3	44.3	31.7	22.8

Note: EPS, BPS, and ROE are based only on the controlling interest.
Source: Simmtech, Daishin Securities Research Center

Yearly earnings forecast revision (Wbn, W, %, %p)

	Previous		Revised		Chg	
	2022F	2023F	2022F	2023F	2022F	2023F
Revenue	1,665	1,771	1,685	1,787	1.2	1.0
SG&A expense	118	125	119	126	0.4	0.4
OP	296	295	317	322	7.1	9.2
OP margin	17.8	16.7	18.8	18.0	1.0	1.4
Non-operating profit	-17	-16	-17	-16	CL	CL
Pretax profit	279	279	300	306	7.6	9.7
NP (controlling int.)	201	202	217	221	7.6	9.7
NP margin	12.2	11.5	13.0	12.5	0.8	1.0
EPS (controlling int.)	6,319	6,333	6,797	6,947	7.6	9.7

Source: Simmtech, Daishin Securities Research Center

Tab 1. Earnings forecast by business (revised)

(Wbn, %)

	1Q21	2Q	3Q	4Q	1Q22F	2QF	3QF	4QF	2021	2022F	2023F
Module PCB	60.7	83.0	87.5	94.5	93.0	94.6	98.9	102.1	325.7	388.5	396.3
PC	12.4	19.2	20.9	22.6	22.8	23.3	23.9	23.4	75.1	93.4	96.7
Server	30.3	43.8	43.7	48.7	48.3	49.0	50.9	53.0	166.5	201.2	204.3
SSD	13.9	17.8	22.5	22.9	21.5	22.1	23.7	25.4	77.1	92.7	94.1
Package substrates	221.0	240.3	276.0	292.6	300.2	312.0	334.8	337.5	1029.9	1,284.6	1,380.2
MCP	143.6	154.3	168.7	181.5	185.1	186.8	200.9	196.8	648.0	769.6	793.8
FC-CSP	25.7	24.5	31.0	30.5	34.7	41.3	44.3	47.0	111.7	167.2	196.9
SiP	3.9	6.7	14.8	14.2	14.1	14.9	16.3	17.7	39.6	63.1	81.9
BOC	20.8	21.0	17.6	21.5	21.8	22.2	23.5	23.0	81.0	90.5	96.2
GDDR6	25.9	27.5	37.1	42.2	41.7	44.0	46.9	50.2	132.7	182.9	199.8
Revenue	283.1	324.7	366.0	390.1	396.3	409.8	436.6	442.5	1,363.8	1,685.3	1,787.5
Revenue share (%)											
Module PCB	21.4%	25.6%	23.9%	24.2%	23.5%	23.1%	22.6%	23.1%	23.9%	23.1%	22.2%
Package substrates	78.1%	74.0%	75.4%	75.0%	75.8%	76.2%	76.7%	76.3%	75.5%	76.2%	77.2%
OP	15.3	31.2	50.4	73.2	75.2	77.0	81.7	83.1	170.1	316.9	322.1
OP margin	5.4%	9.6%	13.8%	18.8%	19.0%	18.8%	18.7%	18.8%	12.5%	18.8%	18.0%
Pretax profit	8.9	25.5	57.7	61.9	71.5	72.1	75.4	80.6	154.0	299.6	306.3
Pretax margin	3.2%	7.9%	15.8%	15.9%	18.0%	17.6%	17.3%	18.2%	11.3%	17.8%	17.1%
NP (cont. int.)	6.3	17.0	52.8	32.7	51.7	52.1	54.5	58.2	108.8	216.5	221.4
NP margin	2.2%	5.2%	14.4%	8.4%	13.0%	12.7%	12.5%	13.2%	8.0%	12.8%	12.4%

Source: Simmtech, Daishin Securities Research Center

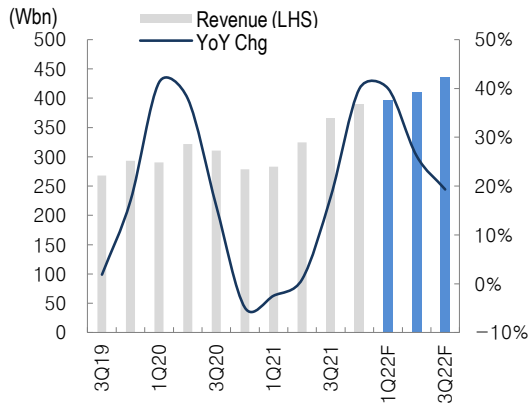
Tab 2. Earnings forecast by business (previous)

(Wbn, %)

	1Q21	2Q	3Q	4Q	1Q22F	2QF	3QF	4QF	2021	2022F	2023F
Module PCB	60.7	83.0	87.5	94.5	92.5	94.6	99.3	102.6	325.7	389.0	398.2
PC	12.4	19.2	20.9	22.6	22.8	23.3	23.9	23.4	75.1	93.4	96.7
Server	30.3	43.8	43.7	48.7	47.8	49.0	51.4	53.5	166.5	201.7	206.2
SSD	13.9	17.8	22.5	22.9	21.5	22.1	23.7	25.4	77.1	92.7	94.1
Package substrates	221.0	240.3	276.0	292.6	294.5	306.2	330.0	332.9	1029.9	1,263.6	1,361.3
MCP	143.6	154.3	168.7	181.5	179.9	181.6	196.9	192.9	648.0	751.3	777.8
FC-CSP	25.7	24.5	31.0	30.5	34.7	41.3	44.3	47.0	111.7	167.2	196.9
SiP	3.9	6.7	14.8	14.2	14.1	14.9	16.3	17.7	39.6	63.1	81.9
BOC	20.8	21.0	17.6	21.5	21.1	21.5	22.8	22.3	81.0	87.8	93.3
GDDR6	25.9	27.5	37.1	42.2	41.7	44.0	46.9	50.2	132.7	182.9	199.8
Revenue	283.1	324.7	366.0	390.1	390.1	403.9	432.4	438.4	1,363.8	1,664.7	1,770.5
Revenue share (%)											
Module PCB	21.4%	25.6%	23.9%	24.2%	23.7%	23.4%	23.0%	23.4%	23.9%	23.4%	22.5%
Package substrates	78.1%	74.0%	75.4%	75.0%	75.5%	75.8%	76.3%	75.9%	75.5%	75.9%	76.9%
OP	15.3	31.2	50.4	73.2	70.1	72.3	77.3	76.0	170.1	295.8	295.1
OP margin	5.4%	9.6%	13.8%	18.8%	18.0%	17.9%	17.9%	17.3%	12.5%	17.8%	16.7%
Pretax profit	8.9	25.5	57.7	61.9	66.5	67.4	71.1	73.5	154.0	278.5	279.2
Pretax margin	3.2%	7.9%	15.8%	15.9%	17.0%	16.7%	16.4%	16.8%	11.3%	16.7%	15.8%
NP (cont. int.)	6.3	17.0	52.8	32.8	48.0	48.7	51.4	53.1	108.9	201.3	201.8
NP margin	2.2%	5.2%	14.4%	8.4%	12.3%	12.1%	11.9%	12.1%	8.0%	12.1%	11.4%

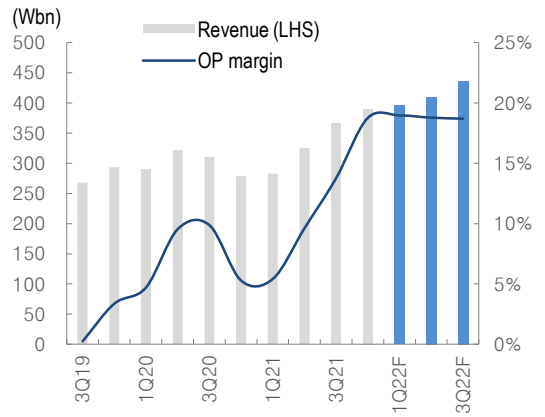
Source: Simmtech, Daishin Securities Research Center

Fig 1. Companywide revenue growth



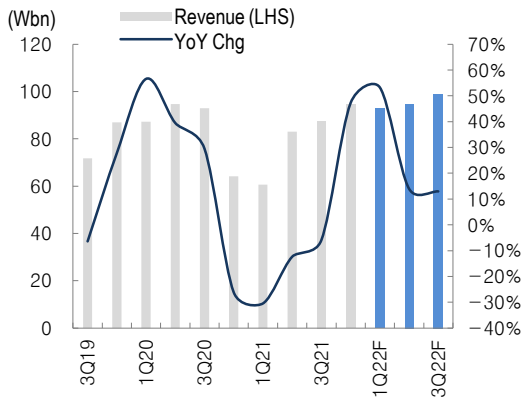
Source: Simmtech, Daishin Securities Research Center

Fig 2. Companywide revenue and OP margin



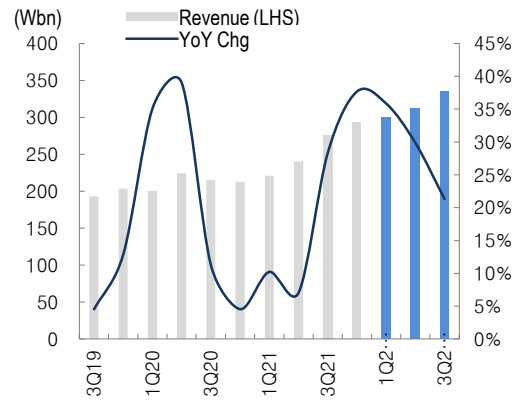
Source: Simmtech, Daishin Securities Research Center

Fig 3. Module PCB revenue growth



Source: Simmtech, Daishin Securities Research Center

Fig 4. Package substrates revenue growth



Source: Simmtech, Daishin Securities Research Center

Tab 3. Package substrate peers

Company		Simmtech	SEMCO	LG Innotek	Daeduck Electronics	Ibiden	Shinko	Unimicron	Kinsus
Stock code		222800 Korea	009150 Korea	011070 Korea	008060 Korea	4062 Japan	6967 Japan	3037 Taiwan	3189 Taiwan
Share price (Mar 21, \$)		52,300	132.0	333.1	21.9	48.6	44.2	7.9	6.7
Market cap (\$mn)		16,660	9,859	7,882	1,081	6,845	5,979	11,698	3,037
Revenue (\$mn)	2021A	13,638	2,060	3,029	239	924	639	1,026	330
	2022F	16,853	9,543	13,935	1,168	3,736	2,548	5,494	1,872
	2023F	17,875	10,083	14,615	na	4,131	2,752	6,485	2,259
Revenue yoy (%)	2021A	13.5	24.8	56.6	na	9.3	26.8	19.0	31.6
	2022F	23.6	363.3	360.0	388.6	304.2	298.6	435.6	467.2
	2023F	6.1	5.7	4.9	na	10.6	8.0	18.0	20.7
OP (\$mn)	2021A	1,701	331	257	22	138	159	173	54
	2022F	3,169	1,566	1,245	117	648	622	1,169	364
	2023F	3,221	1,736	1,305	na	766	680	1,537	527
OP yoy (%)	2021A	89.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	2022F	86.3	373.6	384.8	427.0	369.4	290.8	573.7	579.7
	2023F	1.7	10.8	4.8	na	18.1	9.4	31.5	44.7
OP margin (%)	2021A	12.5	16.1	8.5	9.3	14.9	24.9	16.9	16.2
	2022F	18.8	16.4	8.9	10.0	17.4	24.4	21.3	19.5
	2023F	18.0	17.2	8.9	na	18.5	24.7	23.7	23.3
PER (x)	2021A	13.6	10.2	10.5	13.5	17.2	na	16.5	14.3
	2022F	7.7	8.9	8.9	12.5	15.2	13.9	12.5	11.2
	2023F	7.5	8.4	8.1	na	12.9	12.8	9.6	8.1
PBR (x)	2021A	3.8	1.7	2.7	2.0	2.2	na	na	3.1
	2022F	2.8	1.4	1.9	1.6	2.0	3.0	3.6	2.2
	2023F	2.1	1.1	1.7	na	1.8	2.5	2.7	2.1
EV/EBITDA (x)	2021A	6.5	4.4	4.9	4.9	5.7	na	8.8	6.5
	2022F	4.3	4.1	4.3	7.1	5.6	5.9	7.2	5.4
	2023F	3.8	3.8	4.3	na	4.8	5.4	5.6	4.4
ROE (%)	2021A	32.3	17.1	23.8	na	na	na	28.9	14.1
	2022F	44.3	16.1	22.5	14.0	14.1	23.0	31.4	19.8
	2023F	31.7	14.8	20.1	na	14.7	20.9	30.8	21.1
ROA (%)	2021A	20.7	2.7	3.1	na	na	na	na	na
	2022F	32.6	11.4	11.3	10.8	9.2	17.7	15.2	10.0
	2023F	27.2	12.0	10.9	na	9.7	17.0	18.2	na
EPS (\$)	2021A	3,362	3.1	7.3	0.4	0.7	0.9	0.1	0.1
	2022F	6,797	14.9	37.6	1.7	3.2	3.2	0.6	0.6
	2023F	6,947	15.7	41.5	na	3.8	3.5	0.8	0.8

Source: Bloomberg, Quantwise, Daishin Securities Research Center

Financial statements

Income statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,364	1,685	1,787	1,850
Cost of goods sold	1,005	1,085	1,250	1,339	1,421
Gross profit	196	279	436	448	429
SG&A expenses	107	109	119	126	129
OP	90	170	317	322	301
OP margin	7.5	12.5	18.8	18.0	16.3
EBITDA	165	242	392	402	384
Non-OP	-15	-16	-17	-16	-16
Income from affiliates	0	0	0	0	0
Financial revenue	40	33	33	33	33
FX related gains	0	0	0	0	0
Financial expense	-55	-50	-50	-50	-50
FX related losses	44	37	37	37	37
Others	0	1	0	1	1
Income before taxes	75	154	300	306	285
Income tax expense	-18	-44	-81	-83	-77
Income from cont. op.	56	110	219	224	208
Income from discount op.	0	0	0	0	0
NP	56	110	219	224	208
NP margin	4.7	8.1	13.0	12.5	11.2
NP for non-contr. interest	0	1	2	2	2
NP for contr. interest	57	109	217	221	206
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	0	0	0	0
Comprehensive income	60	113	222	227	211
Comp. income for non-contr. Int.	-1	1	2	2	2
Comp. income for contr. int.	61	112	220	225	209

Valuation metrics	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
EPS	1,943	3,362	6,797	6,947	6,462
PER	11.8	13.6	7.8	7.6	8.2
BPS	9,884	11,912	18,597	25,224	31,366
PBR	2.3	3.8	2.8	2.1	1.7
EBITDAPS	5,680	7,478	12,306	12,616	12,050
EV/EBITDA	5.3	6.5	4.3	3.8	3.5
SPS	41,249	42,082	52,905	56,114	58,078
PSR	0.6	1.1	1.0	0.9	0.9
CFPS	6,144	8,098	12,899	13,247	12,682
DPS	320	320	320	320	320

Financial ratios	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
Growth potential					
Revenue growth	20.1	13.5	23.6	6.1	3.5
OP growth	TTB	89.6	86.3	1.7	-6.7
NP growth	TTB	94.6	99.0	2.2	-7.0
Profitability					
ROIC	10.5	19.0	32.4	30.2	26.9
ROA	11.1	20.7	32.6	27.2	21.7
ROE	25.1	32.3	44.3	31.7	22.8
Stability					
Debt ratio	170.5	123.8	82.1	60.2	48.2
Net borrowings ratio	49.8	31.7	1.3	-18.9	-31.0
Interest coverage ratio	8.3	13.1	24.7	25.3	23.8

Source: Simmttech, Daishin Securities Research Center

Balance sheet	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Current assets	199	254	447	623	791
Cash & cash equiv.	17	36	150	308	465
Trade & other receive.	54	63	83	88	91
Inventories	124	152	211	223	231
Other current assets	4	4	4	4	4
Long-term assets	581	611	632	665	690
Tangible assets	513	543	565	598	623
Investments in affiliates	0	0	0	0	0
Other long-term assets	69	68	67	67	67
Total assets	780	865	1,079	1,288	1,481
Current liabilities	350	351	371	380	387
Payables & other liab.	199	197	213	218	221
Borrowings	38	38	39	40	41
Current portion of LT debts	50	51	52	53	54
Other current liabilities	64	66	67	69	71
Long-term liabilities	141	128	115	104	94
Borrowings	39	36	32	29	26
Convertible securities	0	0	0	0	0
Other long-term liab.	102	92	83	75	68
Total liabilities	491	479	486	484	481
Controlling interest	288	386	592	803	999
Capital stock	17	17	17	17	17
Capital surplus	118	118	118	118	118
Retained earnings	154	253	459	670	866
Other capital changes	-2	-2	-2	-2	-2
Non-controlling interest	0	0	0	0	0
Total shareholder's equity	288	386	593	804	1,000
Net borrowings	144	122	7	-152	-310

Cash flow statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Operating cash flows	215	226	315	374	367
NP	56	110	219	224	208
Non-cash items	122	153	192	198	196
Depreciation	76	72	75	80	83
FX gains	0	5	5	5	5
Equity method gain	0	0	0	0	0
Others	47	76	112	114	108
Chg in assets & liab.	51	21	-3	48	53
Other cash flows	-14	-57	-94	-95	-89
Investing cash flow	-83	-103	-97	-113	-109
Investment assets	0	0	0	0	0
Tangible assets	-82	-102	-97	-113	-108
Others	-1	-1	-1	-1	-1
Financing cash flows	-125	-25	-23	-23	-22
Short-term borrowings	-164	0	1	1	1
Bonds payable	-39	0	0	0	0
Long-term borrowings	29	-4	-3	-3	-3
Rights offering	76	0	0	0	0
Cash dividends	-4	-10	-10	-10	-10
Others	-22	-10	-10	-10	-10
Net chg in cash	7	19	114	159	157
Beginning cash balance	10	17	36	150	308
Ending cash balance	17	36	150	308	466
NOPLAT	68	121	231	235	219
FCF	57	88	206	198	191

[Daishin House View: Industry 4.0 safety rating]

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Sky Blue (positive)

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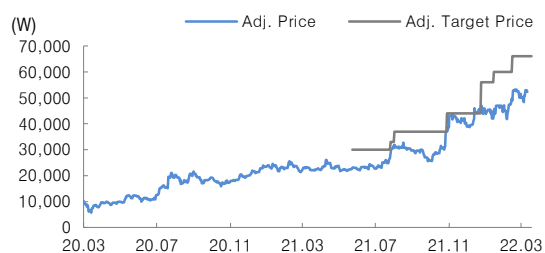
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[Investment rating & Target price history]

Simmtech (222800 KQ)



Date	22.03.22	22.02.24	22.02.09	22.01.24	22.01.23	22.01.03
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	66,000	66,000	60,000	60,000	56,000	56,000
Diff. (avr. %)		(22.10)	(23.52)	(24.07)	(20.43)	(20.33)
Diff. (max/min, %)		(19.39)	(17.08)	(21.67)	(16.70)	(16.70)
Date	21.11.07	21.10.07	21.09.24	21.09.06	21.09.01	21.08.25
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	44,000	37,000	37,000	37,000	37,000	37,000
Diff. (avr. %)	(5.36)	(20.02)	(19.41)	(17.98)	(16.46)	(16.05)
Diff. (max/min, %)	6.93	0.00	(11.62)	(11.62)	(11.62)	(11.62)
Date	21.08.11	21.08.05	21.07.13	21.06.24	21.06.02	
Rating	Buy	Buy	Buy	Buy	Buy	
Target price	37,000	33,000	30,000	30,000	30,000	
Diff. (avr. %)	(16.13)	(6.41)	(20.91)	(22.96)	(23.72)	
Diff. (max/min, %)	(13.92)	(4.24)	(10.83)	(18.67)	(22.00)	
Date						
Rating						
Target price						
Diff. (avr. %)						
Diff. (max/min, %)						

Investment rating breakdown and framework (Mar 18, 2022)

	BUY	MARKETPERFORM	UNDERPERFORM
Ratio	92.4%	7.6%	0.0%

Sector ratings breakdown

- Overweight: industry indicators are expected to outperform the market over the next six months.
- Neutral: industry indicators are expected to be in line with the market over the next six months.
- Underweight: industry indicators are expected to underperform the market over the next six months.

Company ratings breakdown

- Buy: the stock is expected to outperform the market by at least 10%p over the next six months.
- Marketperform: the stock is expected to either outperform or underperform the market by less than 10%p over the next six months.
- Underperform: the stock is expected to underperform the market by at least 10%p over the next six months.