

Simmtech (222800 KQ)

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Rating **BUY**
maintain

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

CP (W)
(22.05.03) **51,200**

Home appliances & Electronic components

Standout 1Q, bright 2Q yet to be priced in

BUY; 6M TP maintained at W66,000

- The chip parts supplier notched OP of W83.9bn (up 8.4% qoq; up 448% yoy) in 1Q22, beating expectations for three quarters in a row. (Our estimate was W75.2bn and the consensus was W72.2bn.) OP margin was 20.1% (up 1.3%p qoq; up 14.7% yoy). Revenue also came in higher than the market's view (W384.9bn) at W417.7bn (up 6.5% qoq; up 47.5% yoy).
- The quarterly results, likely the strongest among its midsize rivals, received a bump from mSAP solutions (such as FC CSP, MCP, and GDDR6) that sold more at higher prices, defying seasonality. The high-margin category made up 67% of the company's top line in that quarter (up 5%p yoy). Other contributing factors include strong productivity (its factories continued to run at high capacity) and the dollar's gain against the won.
- We raise our EPS forecast for 2022 and 2023 by 11.7% and 9.4%, respectively.
- 2Q22 OP is forecast at W89.3bn (up 6.4% qoq; up 186% yoy) with a fat 20.3% margin that will be supported by a higher sales mix of mSAP products. That and the company's valuation merit (2022E P/E ratio of 6.7) indicate the stock has room to grow.
- Simmtech is still a BUY with a six-month target price of W66,000 (8.7x 2022E EPS).

Investment highlights

- Seeing another strong quarter ahead, we expect the company to achieve revenue of W1.78tn (up 30.8% yoy) and OP of W357.9bn (up 110% yoy) in 2022. As the world's biggest semiconductor components supplier by market share, Simmtech stands to benefit big from the surging appetite for next-generation DDR5 memory chips from global PC makers, a shift that will boost sales volume and prices of its package and memory module products.
- It will also likely feel the momentum in the country's broad chip industry filtering through to the PCB market and tailwinds from its increasingly lucrative product portfolio. A wider application of its FC CSP products (beyond mobile AP to SSD controller) and a deeper foray into the SiP segment also raise the outlook for both top and bottom lines.

(Wbn, %)

	1Q21	4Q21	Previous estimate	Result	1Q22			2Q22		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	283	392	396	418	47.5	6.5	385	440	35.6	5.4
OP	15	77	75	84	447.9	8.4	72	89	186.0	6.4
NP	6	41	52	60	843.6	45.6	49	60	256.0	1.0

Operating results and major financial data

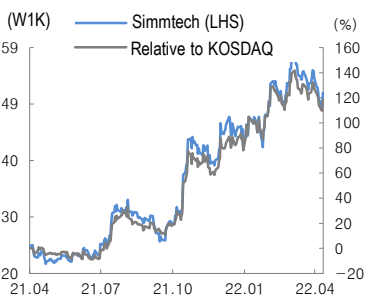
(Wbn, W, x, %)

	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,366	1,784	1,882	1,940
OP	90	174	358	363	365
Pretax profit	75	154	331	335	339
NP	56	118	244	245	248
NP (controlling int.)	57	117	242	242	245
EPS	1,943	3,616	7,591	7,600	7,702
PER	11.8	12.6	6.7	6.7	6.6
BPS	9,884	11,703	18,998	26,098	33,300
PBR	2.3	3.9	2.7	2.0	1.5
ROE	25.1	35.1	49.1	33.7	25.9

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

KOSDAQ	907.57
Market cap (Wbn)	1,631
Market cap portion (%)	0.41
Paid-in capital (common; Wbn)	17
52w high/low (W)	57,400 / 21,650
120d avg. trading volume (Wbn)	42.4
Foreign ownership (%)	11.32
Major shareholders	Simmtech Holdings+8: 33.27% Morgan Stanley & Co. International plc+1: 7.64%

(%)	1M	3M	6M	12M
Abs. return	-5.5	11.2	66.0	125.1
Rel. return	-2.1	9.2	83.8	138.5



Yearly earnings forecast revision

(Wbn, W, %, %p)

	Previous		Revised		Chg	
	2022F	2023F	2022F	2023F	2022F	2023F
Revenue	1,685	1,787	1,784	1,882	5.9	5.3
SG&A expense	119	126	136	144	14.3	14.3
OP	317	322	358	363	12.9	12.7
OP margin	18.8	18.0	20.1	19.3	6.9	7.2
Non-operating profit	-17	-16	-27	-29	CL	CL
Pretax profit	300	306	331	335	10.3	9.5
NP (controlling int.)	217	221	242	242	11.5	9.5
NP margin	13.0	12.5	13.7	13.0	5.4	4.0
EPS (controlling int.)	6,797	6,947	7,591	7,600	11.7	9.4

Source: Simmtech, Daishin Securities Research Center

Tab 1. Earnings forecast by business (revised)

(Wbn, %)

	1Q21	2Q	3Q	4Q	1Q22P	2QF	3QF	4QF	2021	2022F	2023F
Module PCB	60.7	83.0	87.5	94.5	88.2	91.6	95.7	98.9	325.7	374.4	383.7
PC	12.4	19.2	20.9	22.6	20.4	22.1	22.7	22.2	75.1	87.4	91.9
Server	30.3	43.8	43.7	48.7	45.0	46.1	47.9	49.8	166.5	188.8	192.2
SSD	13.9	17.8	22.5	22.9	22.6	23.2	24.9	26.6	77.1	97.3	98.8
Package substrates	221.0	240.3	276.0	292.6	326.5	345.7	361.5	364.1	1029.9	1,397.9	1,488.4
MCP	143.6	154.3	168.7	181.5	200.8	210.6	220.0	215.5	648.0	847.0	869.4
FC-CSP	25.7	24.5	31.0	30.5	44.7	49.4	51.8	54.9	111.7	200.8	230.3
SiP	3.9	6.7	14.8	14.2	13.0	13.8	14.4	15.6	39.6	56.7	72.1
BOC	20.8	21.0	17.6	21.5	22.7	24.2	25.2	24.7	81.0	96.8	103.1
GDDR6	25.9	27.5	37.1	42.2	43.3	45.9	48.2	51.6	132.7	189.0	205.8
Revenue	283.1	324.7	366.0	390.1	417.7	440.2	460.0	465.8	1,363.8	1,783.7	1,882.3
Revenue share (%)											
Module PCB	21.4%	25.6%	23.9%	24.2%	21.1%	20.8%	20.8%	21.2%	23.9%	21.0%	20.4%
Package substrates	78.1%	74.0%	75.4%	75.0%	78.2%	78.5%	78.6%	78.2%	75.5%	78.4%	79.1%
OP	15.3	31.2	50.4	73.2	83.9	89.3	92.4	92.3	170.1	357.9	363.5
OP margin	5.4%	9.6%	13.8%	18.8%	20.1%	20.3%	20.1%	19.8%	12.5%	20.1%	19.3%
Pretax profit	8.9	25.5	57.7	61.9	79.6	83.6	84.3	83.8	154.0	331.3	335.0
Pretax margin	3.2%	7.9%	15.8%	15.9%	19.0%	19.0%	18.3%	18.0%	11.3%	18.6%	17.8%
NP (cont. int.)	6.3	17.0	52.8	32.7	59.8	60.5	61.0	60.6	108.8	241.8	242.1
NP margin	2.2%	5.2%	14.4%	8.4%	14.3%	13.7%	13.3%	13.0%	8.0%	13.6%	12.9%

Source: Simmtech, Daishin Securities Research Center

Financial statements

Income statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,366	1,784	1,882	1,940
Cost of goods sold	1,005	1,082	1,290	1,375	1,421
Gross profit	196	284	494	507	518
SG&A expenses	107	110	136	144	154
OP	90	174	358	363	365
OP margin	7.5	12.8	20.1	19.3	18.8
EBITDA	165	253	430	437	441
Non-OP	-15	-20	-27	-29	-25
Income from affiliates	0	0	0	0	0
Financial revenue	40	34	33	33	33
FX related gains	0	0	0	0	0
Financial expense	-55	-52	-49	-48	-48
FX related losses	44	40	36	36	36
Others	0	-3	-11	-13	-10
Income before taxes	75	154	331	335	339
Income tax expense	-18	-36	-88	-90	-92
Income from cont. op.	56	118	244	245	248
Income from discount. op.	0	0	0	0	0
NP	56	118	244	245	248
NP margin	4.7	8.7	13.7	13.0	12.8
NP for non-contr. interest	0	1	2	2	2
NP for contr. interest	57	117	242	242	245
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	1	1	1	1
Comprehensive income	60	126	252	253	257
Comp. income for non-contr. int.	-1	2	2	3	3
Comp. income for contr. int.	61	124	250	251	255

Valuation metrics	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
EPS	1,943	3,616	7,591	7,600	7,702
PER	11.8	12.6	6.7	6.7	6.6
BPS	9,884	11,703	18,998	26,098	33,300
PBR	2.3	3.9	2.7	2.0	1.5
EBITDAPS	5,680	7,812	13,504	13,727	13,855
EV/EBITDA	5.3	6.3	3.8	3.3	2.8
SPS	41,249	42,144	55,996	59,092	60,897
PSR	0.6	1.1	0.9	0.9	0.8
CFPS	6,144	8,129	13,666	13,821	14,051
DPS	320	500	500	500	500

Financial ratios	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
Growth potential					
Revenue growth	20.1	13.7	30.6	5.5	3.1
OP growth	TTB	94.2	105.3	1.6	0.3
NP growth	TTB	109.4	106.1	0.3	1.3
Profitability					
ROIC	10.5	21.3	38.3	36.0	34.5
ROA	11.1	21.3	37.1	30.9	26.1
ROE	25.1	35.1	49.1	33.7	25.9
Stability					
Debt ratio	170.5	124.9	76.2	53.9	42.2
Net borrowings ratio	49.8	38.4	-2.3	-24.4	-37.6
Interest coverage ratio	8.3	18.3	36.3	37.4	38.0

Source: Simmtch, Daishin Securities Research Center

Balance sheet	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Current assets	199	245	467	666	871
Cash & cash equiv.	17	17	132	312	505
Trade & other receive.	54	71	123	130	135
Inventories	124	144	198	209	216
Other current assets	4	13	13	15	16
Long-term assets	581	612	603	617	640
Tangible assets	513	501	489	499	518
Investments in affiliates	0	0	0	0	0
Other long-term assets	69	111	114	118	122
Total assets	780	857	1,070	1,283	1,512
Current liabilities	350	342	345	330	327
Payables & other liab.	199	191	217	213	215
Borrowings	38	21	21	22	22
Current portion of LT debts	50	8	9	9	10
Other current liabilities	64	123	98	86	80
Long-term liabilities	141	134	118	120	121
Borrowings	39	49	29	27	24
Convertible securities	0	0	0	0	0
Other long-term liab.	102	85	89	93	98
Total liabilities	491	476	463	449	448
Controlling interest	288	379	605	831	1,061
Capital stock	17	17	17	17	17
Capital surplus	118	111	111	111	111
Retained earnings	154	244	470	696	926
Other capital changes	-2	7	7	7	7
Non-controlling interest	0	2	2	2	3
Total shareholder's equity	288	381	607	834	1,063
Net borrowings	144	147	-14	-203	-400

Cash flow statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Operating cash flows	215	115	226	286	306
NP	56	118	244	245	248
Non-cash items	122	145	192	196	200
Depreciation	76	79	72	74	77
FX gains	0	2	5	5	5
Equity method gain	0	0	0	0	0
Others	47	64	115	117	119
Chg in assets & liab.	51	-119	-112	-55	-41
Other cash flows	-14	-30	-97	-99	-101
Investing cash flow	-83	-80	-66	-90	-102
Investment assets	0	-33	-4	-4	-4
Tangible assets	-82	-44	-60	-83	-95
Others	-1	-3	-3	-3	-3
Financing cash flows	-125	-35	-52	-35	-35
Short-term borrowings	-164	-16	1	0	0
Bonds payable	-39	45	0	0	0
Long-term borrowings	29	21	-20	-3	-3
Rights offering	76	-6	0	0	0
Cash dividends	-4	-10	-16	-16	-16
Others	-22	-68	-17	-17	-16
Net chg in cash	7	0	116	179	193
Beginning cash balance	10	17	17	132	312
Ending cash balance	17	17	132	312	505
NOPLAT	68	134	263	265	266
FCF	57	135	244	223	215

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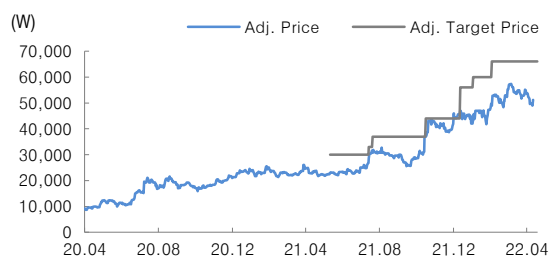
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[Investment rating & Target price history]

Simmtech (222800 KQ)



Date	22.05.04	22.03.21	22.02.24	22.02.09	22.01.24	22.01.23
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	66,000	66,000	66,000	60,000	60,000	56,000
Diff. (avr. %)		(19.70)	(22.10)	(23.52)	(24.07)	(20.43)
Diff. (max./min., %)		(13.03)	(19.39)	(17.08)	(21.67)	(16.70)
Date	22.01.03	21.11.07	21.10.07	21.09.24	21.09.06	21.09.01
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	56,000	44,000	37,000	37,000	37,000	37,000
Diff. (avr. %)	(20.33)	(5.36)	(20.02)	(19.41)	(17.98)	(16.46)
Diff. (max./min., %)	(16.70)	6.93	0.00	(11.62)	(11.62)	(11.62)
Date	21.08.25	21.08.11	21.08.05	21.07.13	21.06.24	21.06.02
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	37,000	37,000	33,000	30,000	30,000	30,000
Diff. (avr. %)	(16.05)	(16.13)	(6.41)	(20.91)	(22.96)	(23.72)
Diff. (max./min., %)	(11.62)	(13.92)	(4.24)	(10.83)	(18.67)	(22.00)
Date						00.06.29
Rating						
Target price						
Diff. (avr. %)						
Diff. (max./min., %)						

Investment rating breakdown and framework (May 1, 2022)

	BUY	MARKETPERFORM	UNDERPERFORM
Ratio	92.3%	7.7%	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.