

Simmtech (222800 KQ)

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Rating

BUY
maintain

6M TP (W)

66,000
maintain

CP (W)
(22.07.29)

40,500

Home appliances & Electronic components

2Q earnings beat; stock looking cheaper now

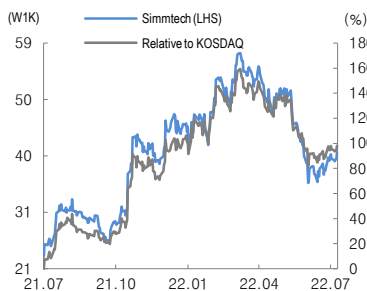
BUY; 6M TP kept at W66,000

- The chip parts supplier had a record quarter, delivering 2Q22 OP of W114.7bn (up 35.3% qoq; up 267.5% yoy) on revenue of W477.4bn (up 14.3% qoq; up 47.0% yoy), far more than W92.7bn and W445.6bn expected by the market, respectively, and our W97.1bn projection. OP margin widened 3.7%p qoq and 14.4%p yoy to 24%, crushing our 21.8% estimate, on the strength of its MSAP portfolio (FC CSP, MCP, GDDR6) that did well in terms of sales and sales mix (maintained at 64%, providing a boost to average selling price) and favorable FX rates (i.e. the won lost against the greenback).
- Riding the tailwinds from the growth in MSAP sales and an even better product mix, Simmtech's 3Q22 OP is estimated to reach W120.4bn (up 4.9% qoq; up 139% yoy), with OP margin remaining high at 24.4%. The stock still looks compelling at 4.1 times 2022E EPS and boasts substantial upside potential. We keep BUY and our six-month target price of W66,000, or 6.6 times the updated 2022E EPS. (Our projections are up 21.7% for 2022 and 24.7% for 2023.)

2022 OP forecast at W438.9bn (up 158%); stock remains undervalued

- We believe the company's OP will soar to a new high of W120.4bn in 3Q22, with revenue hitting a record W493.7bn thanks to the transition towards DDR5 PC/server DRAMs and seasonally high demand for mobile DRAMs (newly launched MCP model).
- The rising share of new growth drivers (FC CSP, SiP) in the product mix will help further support the undervalued stock.
- Simmtech is poised to deliver the best results among midsize PCB and electronic component makers this year, with its annual revenue and OP forecast to rise record highs, i.e. W1.89tn (up 38.5%) and W438.9bn (up 158%), respectively.

KOSDAQ	803.62
Market cap (Wbn)	1,290
Market cap portion (%)	0.39
Paid-in capital (common; Wbn)	17
52w high/low (W)	57,400 / 24,800
120d avg. trading volume (Wbn)	35.7
Foreign ownership (%)	9.53
Major shareholders	Simmtech Holdings+8: 33.27% NPS: 5.58%
(%)	1M 3M 6M 12M
Abs. return	6.2 -18.6 -13.8 57.0
Rel. return	0.7 -8.3 -6.4 104.0



	2Q21	1Q22	Previous estimate	Prelim. result	2Q22			3Q22		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	325	418	445	477	47.0	14.3	446	494	34.9	3.4
OP	31	85	97	115	267.5	35.3	93	120	138.8	4.9
NP	17	61	67	85	398.5	39.8	68	86	63.4	1.9

Source: Simmtech, FnGuide, Daishin Securities Research Center

Operating results and major financial data

	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,366	1,890	2,027	2,094
OP	90	174	439	450	452
Pretax profit	75	154	433	447	450
NP	56	118	319	327	328
NP (contr. int.)	57	117	317	323	325
EPS	1,943	3,616	9,950	10,151	10,203
PER	11.8	12.6	4.1	4.0	4.0
BPS	9,884	11,703	21,357	31,008	40,711
PBR	2.3	3.9	1.9	1.3	1.0
ROE	25.1	35.1	59.8	38.8	28.5

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	1,800	1,905	1,890	2,027	5.0	6.4
SG&A expense	137	146	143	154	4.5	5.9
OP	382	386	439	450	15.0	16.7
OP margin	21.2	20.3	23.2	22.2	2.0	2.0
Non-operating profit	-25	-27	-6	-3	CL	CL
Pretax profit	357	359	433	447	21.3	24.7
NP (controlling int.)	260	259	317	323	21.7	24.7
NP margin	14.6	13.8	16.9	16.1	2.3	2.4
EPS (controlling int.)	8,174	8,141	9,950	10,151	21.7	24.7

Source: Simmtech, Daishin Securities Research Center

Tab 1. Earnings projection by business (revised)

(Wbn, %)

	1Q21	2Q	3Q	4Q	1Q22	2QP	3QF	4QF	2021	2022F	2023F
Module PCB	60.7	83.0	87.5	94.5	88.2	103.5	108.2	111.7	325.7	411.6	433.6
PC	12.4	19.2	20.9	22.6	20.4	25.9	26.6	26.0	75.1	98.9	107.6
Server	30.3	43.8	43.7	48.7	45.0	51.4	53.5	55.6	166.5	205.5	214.4
SSD	13.9	17.8	22.5	22.9	22.6	25.8	27.7	29.7	77.1	105.8	110.0
Packaging substrates	221.0	240.3	276.0	292.6	326.5	369.8	382.7	386.3	1029.9	1,465.3	1,582.7
MCP	143.6	154.3	168.7	181.5	200.8	211.1	224.1	219.6	648.0	855.6	885.3
FC-CSP	25.7	24.5	31.0	30.5	44.7	51.4	52.4	55.5	111.7	204.0	232.9
SiP	3.9	6.7	14.8	14.2	13.0	26.1	21.1	23.0	39.6	83.2	106.2
BOC	20.8	21.0	17.6	21.5	22.7	27.7	28.8	28.2	81.0	107.4	117.4
GDDR6	25.9	27.5	37.1	42.2	43.3	51.9	54.7	58.6	132.7	208.5	234.6
Revenue	283.1	324.7	366.0	390.1	417.7	477.4	493.7	500.8	1,363.8	1,889.6	2,026.7
Revenue share (%)											
Module PCB	21.4%	25.6%	23.9%	24.2%	21.1%	21.7%	21.9%	22.3%	23.9%	21.8%	21.4%
Packaging substrates	78.1%	74.0%	75.4%	75.0%	78.2%	77.4%	77.5%	77.1%	75.5%	77.5%	78.1%
OP	15.3	31.2	50.4	73.2	84.8	114.7	120.4	119.1	170.1	438.9	450.2
OP margin	5.4%	9.6%	13.8%	18.8%	20.3%	24.0%	24.4%	23.8%	12.5%	23.2%	22.2%
Pretax profit	8.9	25.5	57.7	61.9	80.3	114.9	119.3	118.2	154.0	432.8	447.4
Pretax margin	3.2%	7.9%	15.8%	15.9%	19.2%	24.1%	24.2%	23.6%	11.3%	22.9%	22.1%
NP (contr. int.)	6.3	17.0	52.8	32.7	60.6	84.7	86.3	85.5	108.8	316.9	323.3
NP margin	2.2%	5.2%	14.4%	8.4%	14.5%	17.7%	17.5%	17.1%	8.0%	16.8%	16.0%

Source: Simmtech, Daishin Securities Research Center

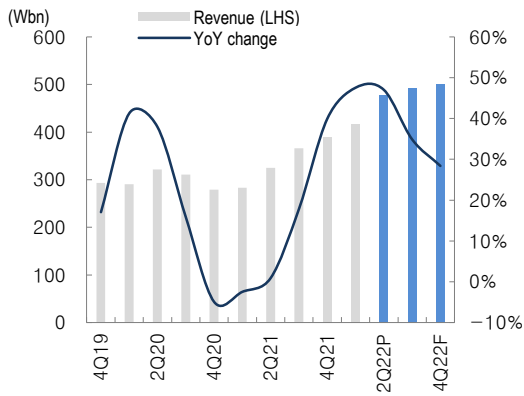
Tab 2. Earnings projection by business (previous)

(Wbn, %)

	1Q21	2Q	3Q	4Q	1Q22	2QP	3QF	4QF	2021	2022F	2023F
Module PCB	60.7	83.0	87.5	94.5	88.2	92.4	96.6	99.8	325.7	377.0	387.1
PC	12.4	19.2	20.9	22.6	20.4	21.9	22.4	22.0	75.1	86.7	90.8
Server	30.3	43.8	43.7	48.7	45.0	47.0	48.9	50.8	166.5	191.7	195.9
SSD	13.9	17.8	22.5	22.9	22.6	23.3	25.1	26.8	77.1	97.8	99.5
Packaging substrates	221.0	240.3	276.0	292.6	326.5	350.2	366.1	368.9	1029.9	1,411.8	1,507.7
MCP	143.6	154.3	168.7	181.5	200.8	213.1	222.6	218.0	648.0	854.5	879.5
FC-CSP	25.7	24.5	31.0	30.5	44.7	49.7	52.1	55.3	111.7	201.8	231.8
SiP	3.9	6.7	14.8	14.2	13.0	13.8	14.4	15.6	39.6	56.9	72.4
BOC	20.8	21.0	17.6	21.5	22.7	24.3	25.3	24.8	81.0	97.1	103.5
GDDR6	25.9	27.5	37.1	42.2	43.3	47.4	49.9	53.4	132.7	194.0	212.8
Revenue	283.1	324.7	366.0	390.1	417.7	445.4	465.5	471.5	1,363.8	1,800.2	1,905.0
Revenue share (%)											
Module PCB	21.4%	25.6%	23.9%	24.2%	21.1%	20.7%	20.7%	21.2%	23.9%	20.9%	20.3%
Packaging substrates	78.1%	74.0%	75.4%	75.0%	78.2%	78.6%	78.7%	78.2%	75.5%	78.4%	79.1%
OP	15.3	31.2	50.4	73.2	84.8	97.1	102.4	97.5	170.1	381.8	385.8
OP margin	5.4%	9.6%	13.8%	18.8%	20.3%	21.8%	22.0%	20.7%	12.5%	21.2%	20.3%
Pretax profit	8.9	25.5	57.7	61.9	80.3	92.1	94.8	89.5	154.0	356.7	358.8
Pretax margin	3.2%	7.9%	15.8%	15.9%	19.2%	20.7%	20.4%	19.0%	11.3%	19.8%	18.8%
NP (contr. int.)	6.3	17.0	52.8	32.7	60.6	66.6	68.5	64.7	108.8	260.4	259.3
NP margin	2.2%	5.2%	14.4%	8.4%	14.5%	14.9%	14.7%	13.7%	8.0%	14.5%	13.6%

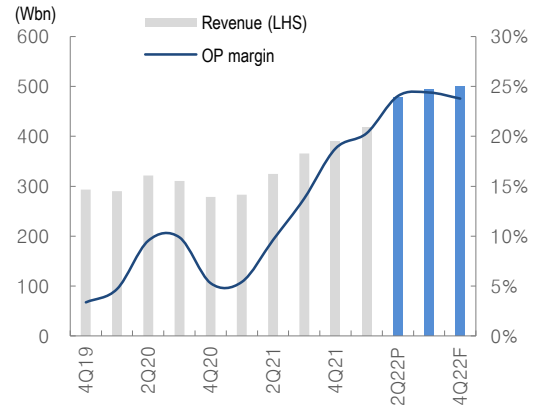
Source: Simmtech, Daishin Securities Research Center

Fig 1. Companywide revenue



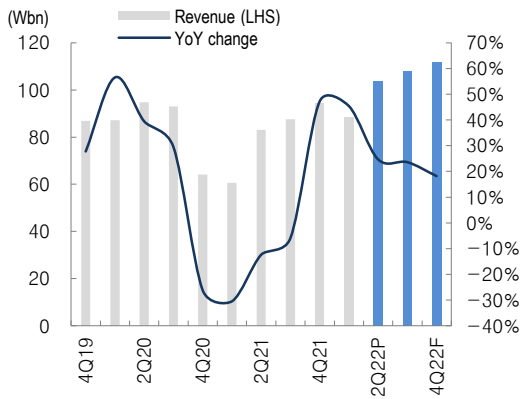
Source: Simmtech, Daishin Securities Research Center

Fig 2. Companywide revenue and OP margin



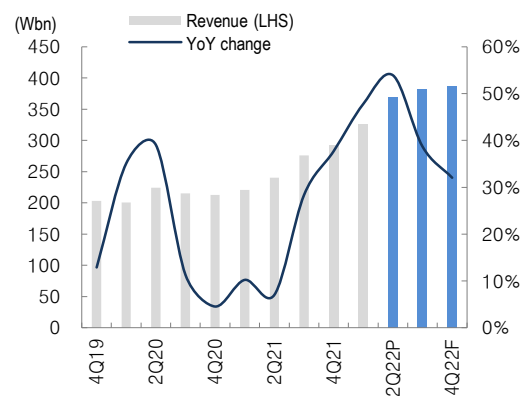
Source: Simmtech, Daishin Securities Research Center

Fig 3. Module PCB revenue



Source: Simmtech, Daishin Securities Research Center

Fig 4. Packaging substrate revenue



Source: Simmtech, Daishin Securities Research Center

Tab 3. 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 (Jul 29, \$)		40,500	109.1	277.8	21.8	29.2	25.5	5.3	4.5
Market cap (\$mn)		12,901	8,147	6,576	1,076	4,116	3,442	7,816	2,050
Revenue (\$mn)	2021A	13,658	8,454	13,059	875	3,572	65	3,744	1,277
	2022F	18,896	7,769	13,061	1,020	3,080	73	4,615	1,488
	2023F	20,267	8,455	13,756	1,212	3,317	84	5,308	1,699
Revenue yoy (%)	2021A	13.7	24.8	56.6	na	24.0	88.4	19.0	31.6
	2022F	38.3	-8.1	0.0	16.6	-13.8	12.0	23.3	16.5
	2023F	7.3	8.8	5.3	na	7.7	15.9	15.0	14.2
OP (\$mn)	2021A	1,743	1,299	1,105	63	631	20	472	179
	2022F	4,389	1,169	1,168	160	528	20	1,122	302
	2023F	4,502	1,323	1,239	198	587	25	1,312	352
OP yoy (%)	2021A	94.2	67.6	91.0	-16.9	248.3	437.7	245.6	293.5
	2022F	151.8	-10.0	5.7	153.1	-16.3	0.6	137.9	68.4
	2023F	2.6	13.2	6.1	na	11.2	25.0	17.0	16.8
OP margin (%)	2021A	12.8	15.4	8.5	7.2	17.7	30.7	12.6	14.0
	2022F	23.2	15.1	8.9	15.7	17.1	27.6	24.3	20.3
	2023F	22.2	15.7	9.0	na	17.7	29.8	24.7	20.7
PER (배)	2021A	12.6	9.2	8.7	16.6	13.3	9.6	14.4	11.9
	2022F	4.1	9.4	7.2	9.0	11.4	9.5	9.1	9.2
	2023F	4.0	8.3	6.8	7.3	9.9	7.6	7.8	7.9
PBR (배)	2021A	3.9	1.5	2.2	2.0	1.5	3.0	3.6	2.1
	2022F	1.9	1.4	1.8	1.8	1.3	2.9	3.0	1.8
	2023F	1.3	1.2	1.4	1.5	1.2	2.4	2.3	1.5
EV/EBITDA (배)	2021A	6.3	6.0	4.7	6.7	6.8	11.0	15.0	11.1
	2022F	2.4	4.2	3.7	4.6	4.0	6.4	5.1	4.3
	2023F	1.8	3.7	3.4	3.8	3.5	5.6	4.4	3.8
ROE (%)	2021A	35.1	14.5	29.0	12.5	12.1	36.2	28.4	19.0
	2022F	59.8	15.5	28.4	21.6	12.7	31.7	35.7	21.0
	2023F	38.8	15.3	23.9	21.7	12.7	30.3	33.2	20.6
ROA (%)	2021A	21.3	9.9	12.3	9.4	6.6	31.4	10.8	9.8
	2022F	43.7	10.7	12.6	16.2	8.2	na	15.4	12.0
	2023F	34.7	11.2	12.5	16.2	8.8	na	16.4	9.9
EPS (\$)	2021A	3,616	10.3	32.8	1.1	2.6	1.0	0.3	0.3
	2022F	9,950	11.3	34.8	2.5	2.5	1.0	0.6	0.5
	2023F	10,151	12.7	37.2	3.1	2.9	1.3	0.7	0.6

Source: Bloomberg, Quantwise, Daishin Securities Research Center

Financial statements

Income statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,366	1,890	2,027	2,094
Cost of goods sold	1,005	1,082	1,307	1,422	1,477
Gross profit	196	284	582	604	617
SG&A expenses	107	110	143	154	165
OP	90	174	439	450	452
OP margin	7.5	12.8	23.2	22.2	21.6
EBITDA	165	253	511	524	529
Non-OP	-15	-20	-6	-3	-3
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	9	13	13
Income before taxes	75	154	433	447	450
Income tax expense	-18	-36	-114	-121	-121
Income from cont. op.	56	118	319	327	328
Income from discount. op.	0	0	0	0	0
NP	56	118	319	327	328
NP margin	4.7	8.7	16.9	16.1	15.7
NP for non-contr. interest	0	1	2	3	3
NP for contr. interest	57	117	317	323	325
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	1	1	1	1
Comprehensive income	60	126	327	335	338
Comp. income for non-contr. int.	-1	2	2	3	3
Comp. income for contr. int.	61	124	325	332	335

Valuation metrics	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
EPS	1,943	3,616	9,950	10,151	10,203
PER	11.8	12.6	4.1	4.0	4.0
BPS	9,884	11,703	21,357	31,008	40,711
PBR	2.3	3.9	1.9	1.3	1.0
EBITDAPS	5,680	7,812	16,049	16,448	16,605
EV/EBITDA	5.3	6.3	2.4	1.8	1.3
SPS	41,249	42,144	59,320	63,623	65,725
PSR	0.6	1.1	0.7	0.6	0.6
CFPS	6,144	8,129	16,850	17,351	17,513
DPS	320	500	500	500	500

Financial ratios	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
Growth potential					
Revenue growth	20.1	13.7	38.3	7.3	3.3
OP growth	TTB	94.2	151.8	2.6	0.5
NP growth	TTB	109.4	169.6	2.4	0.5
Profitability					
ROIC	10.5	21.3	46.6	43.5	41.7
ROA	11.1	21.3	43.7	34.7	28.3
ROE	25.1	35.1	59.8	38.8	28.5
Stability					
Debt ratio	170.5	124.9	68.5	45.9	34.9
Net borrowings ratio	49.8	38.4	-11.0	-34.3	-47.3
Interest coverage ratio	8.3	18.3	44.5	46.4	47.1

Source: Simmtech, Daishin Securities Research Center

Balance sheet	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Current assets	199	245	546	827	1,113
Cash & cash equiv.	17	17	193	448	720
Trade & other receive.	54	71	129	139	145
Inventories	124	144	210	225	233
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	1,150	1,445	1,753
Current liabilities	350	342	349	335	332
Payables & other liab.	199	191	221	218	220
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	467	454	454
Controlling interest	288	379	680	988	1,297
Capital stock	17	17	17	17	17
Capital surplus	118	111	111	111	111
Retained earnings	154	244	545	853	1,162
Other capital changes	-2	7	7	7	7
Non-controlling interest	0	2	2	2	3
Total shareholder's equity	288	381	683	990	1,299
Net borrowings	144	147	-75	-340	-615

Cash flow statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Operating cash flows	215	115	287	363	385
NP	56	118	319	327	328
Non-cash items	122	145	218	226	230
Depreciation	76	79	72	74	77
FX gains	0	2	5	5	5
Equity method gain	0	0	0	0	0
Others	47	64	141	148	148
Chg in assets & liab.	51	-119	-127	-60	-43
Other cash flows	-14	-30	-123	-130	-130
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	177	255	272
Beginning cash balance	10	17	17	193	448
Ending cash balance	17	17	193	448	720
NOPLAT	68	134	323	329	330
FCF	57	135	304	287	279

[Compliance Notice]

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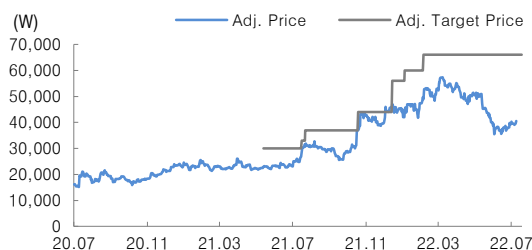
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[Investment rating & Target price history]

Simmtech (222800 KQ)



Date	22.08.01	22.07.20	22.07.10	22.06.29	22.05.04	22.03.21
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	66,000	66,000	66,000	66,000	66,000	66,000
Diff. (avr. %)		(28.32)	(27.50)	(26.24)	(24.76)	(19.82)
Diff. (max/min, %)		(13.03)	(13.03)	(13.03)	(13.03)	(13.03)
Date	22.02.24	22.02.09	22.01.24	22.01.23	22.01.03	21.11.07
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	66,000	60,000	60,000	56,000	56,000	44,000
Diff. (avr. %)	(22.10)	(23.79)	(24.15)	(20.33)	(20.33)	(5.68)
Diff. (max/min, %)	(19.39)	(17.08)	(21.67)	(16.70)	(16.70)	4.43
Date	21.10.07	21.09.24	21.09.06	21.09.01	21.08.25	21.08.11
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	37,000	37,000	37,000	37,000	37,000	37,000
Diff. (avr. %)	(20.02)	(19.41)	(17.98)	(16.46)	(16.05)	(16.13)
Diff. (max/min, %)	0.00	(11.62)	(11.62)	(11.62)	(11.62)	(13.92)
Date	21.08.05	21.07.13	21.06.24	21.06.02		00.06.29
Rating	Buy	Buy	Buy	Buy		
Target price	33,000	30,000	30,000	30,000		
Diff. (avr. %)	(6.41)	(20.91)	(22.96)	(23.72)		
Diff. (max/min, %)	(4.24)	(10.83)	(18.67)	(22.00)		

Investment rating breakdown and framework (Jul 27, 2022)

	Buy	Marketperform	Underperform
Ratio	92.5%	7.5%	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.