

Simmtech (222800 KQ)

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Rating **BUY**
maintain

6M TP (₩) **53,000**
reduce

CP (₩)
(22.11.04) **33,500**

Home appliances & Electronic components

Growth to resume after brief lull

BUY maintained; 6M TP reduced 20% to ₩53,000

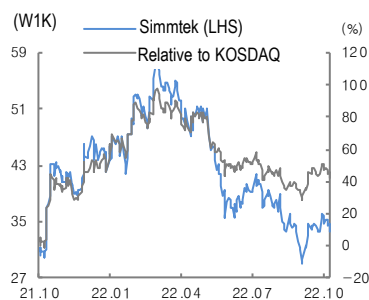
- For 3Q22, the chip parts maker reported revenue of ₩474.3bn (down 6.0% qoq; up 29.6% yoy), below our estimate (₩500.2bn) and the market's projection, and OP of ₩116.6bn (up 1.7% qoq; up 131.4% yoy), below our view (₩132.2bn) but slightly above the consensus. NP came in at ₩99.3bn (up 17.2% qoq; up 86.6% yoy). Despite overall weaker sales, OP margin improved 0.6%p qoq on higher sales of high-margin products such as SiP (up 8.8% qoq), module PCBs for DDR5 and SSD, and MSAP solutions. A strong dollar was also behind the better-than-expected profitability.
- Simmtech is expected to see a back-to-back decline in both sales and OP in the next two quarters as the persistently weak demand and the destocking efforts by key customers weigh. We therefore cut our sales forecasts by 5.8% for 2022 and 7.7% for 2023, and OP projections by 6.5% and 4.8%, respectively, for those years.
- We lower our target price by 20% to ₩53,000, which implies 5.4 times the 2023E EPS. As of November 4, the stock is trading at 3.3 times the 2022E earnings and 3.4 times the 2023E earnings. The historically low valuation and continued growth trend – 2023 revenue and OP estimated to be up 5.9% and 4.8%, respectively – make the stock a BUY for investors with a longer-term horizon.

Lucrative product mix to drive OP margin to 22% in 2023

- An earnings recovery is likely in 2Q23, in our view, as makers of PCs and smartphones complete inventory adjustment and server operators shift to the more expensive DDR5 technology. Higher sales of profit-rich GDDR6 PCB and SiP add to the outlook.
- OP margin is expected to hit 22.9% in 2023, the highest among midsize chip parts suppliers.

KOSDAQ	693.89
Market cap (Wbn)	1,067
Market cap portion (%)	0.32
Paid-in capital (common; Wbn)	17
52w high/low (₩)	57,400 / 29,050
120d avg. trading volume (Wbn)	25.1
Foreign ownership (%)	12.68
Major shareholders	Simmtech Holdings+8: 33.27%

(%)	1M	3M	6M	12M
Abs. return	6.0	-18.2	-32.2	7.7
Rel. return	6.5	-2.7	-12.0	55.5



	3Q21	2Q22	Previous estimate	Prelim. result	3Q22			4Q22		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	366	477	500	474	29.6	-0.6	474	425	8.4	-10.4
OP	50	115	123	117	131.4	1.7	117	99	28.0	-15.1
NP	53	85	87	99	86.3	16.2	86	80	95.2	-18.4

Source: Simmtech, FnGuide, Daishin Securities Research Center

Operating results and major financial data

	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,366	1,794	1,901	2,022
OP	90	174	415	435	449
Pretax profit	75	154	440	436	449
NP	56	118	325	318	328
NP (contr. int.)	57	117	324	315	325
EPS	1,943	3,616	10,165	9,888	10,198
PER	11.8	12.6	3.3	3.4	3.3
BPS	9,884	11,703	21,572	30,959	40,657
PBR	2.3	3.9	1.6	1.1	0.8
ROE	25.1	35.1	60.7	37.6	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	1,904	2,059	1,794	1,901	-5.8	-7.7
SG&A expense	143	155	140	145	-2.1	-6.5
OP	444	457	415	435	-6.5	-4.8
OP margin	23.3	22.2	23.1	22.9	-0.2	0.7
Non-operating profit	-11	-11	25	1	Adj. to profit	Adj. to profit
Pretax profit	434	446	440	436	1.4	-2.2
NP (controlling int.)	318	322	324	315	2.0	-2.2
NP margin	16.8	15.8	18.1	16.7	1.3	0.9
EPS (controlling int.)	9,969	10,110	10,165	9,888	2.0	-2.2

Source: Simmtech, Daishin Securities Research Center

Tab 1. Earnings projection by business (revised)

(Wbn, %)

	1Q21	2Q	3Q	4Q	1Q22	2Q	3QP	4QF	2021	2022F	2023F
Module PCB	60.7	83.0	87.5	94.5	88.2	103.5	102.5	92.5	325.7	386.7	396.7
PC	12.4	19.2	20.9	22.6	20.4	25.9	21.3	18.7	75.1	86.3	84.3
Server	30.3	43.8	43.7	48.7	45.0	51.4	53.4	47.0	166.5	196.8	201.8
SSD	13.9	17.8	22.5	22.9	22.6	25.8	27.4	26.4	77.1	102.2	109.0
Packaging	221.0	240.3	276.0	292.6	326.5	369.8	367.1	327.9	1029.9	1,391.4	1,487.8
MCP	143.6	154.3	168.7	181.5	200.8	211.1	198.9	169.6	648.0	780.4	782.0
FC-CSP	25.7	24.5	31.0	30.5	44.7	51.4	46.5	40.0	111.7	182.6	184.0
SiP	3.9	6.7	14.8	14.2	13.0	26.1	28.4	27.8	39.6	95.4	128.8
BOC	20.8	21.0	17.6	21.5	22.7	27.7	33.9	29.4	81.0	113.7	124.3
GDDR6	25.9	27.5	37.1	42.2	43.3	51.9	57.6	59.4	132.7	212.2	261.5
Revenue	283.1	324.7	366.0	390.1	417.7	477.4	474.3	424.9	1,363.8	1,794.3	1,900.7
Revenue share (%)											
Module PCB	21.4%	25.6%	23.9%	24.2%	21.1%	21.7%	21.6%	21.8%	23.9%	21.6%	20.9%
Packaging	78.1%	74.0%	75.4%	75.0%	78.2%	77.4%	77.4%	77.2%	75.5%	77.5%	78.3%
OP	15.3	31.2	50.4	73.2	84.8	114.7	116.6	99.1	170.1	415.2	435.2
OP margin	5.4%	9.6%	13.8%	18.8%	20.3%	24.0%	24.6%	23.3%	12.5%	23.1%	22.9%
Pretax profit	8.9	25.5	57.7	61.9	80.3	114.9	134.8	109.9	154.0	439.8	435.8
Pretax margin	3.2%	7.9%	15.8%	15.9%	19.2%	24.1%	28.4%	25.9%	11.3%	24.5%	22.9%
NP (contr. int.)	6.3	17.0	52.8	32.7	60.6	84.7	99.1	79.4	108.8	323.8	315.0
NP margin	2.2%	5.2%	14.4%	8.4%	14.5%	17.7%	20.9%	18.7%	8.0%	18.0%	16.6%

Source: Simmtech, Daishin Securities Research Center

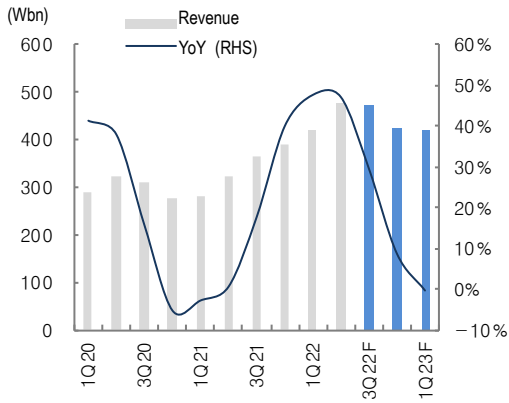
Tab 2. Earnings projection by business (previous)

(Wbn, %)

	1Q21	2Q	3Q	4Q	1Q22	2Q	3QP	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	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	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%

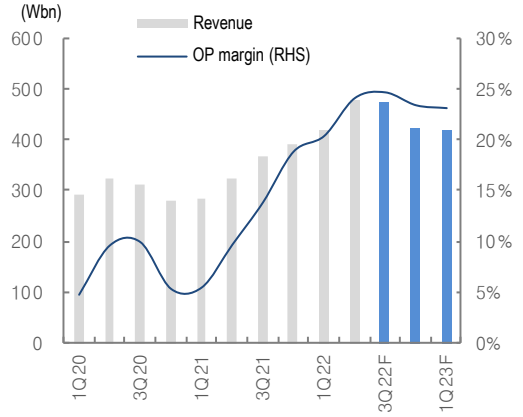
Source: Simmtech, Daishin Securities Research Center

Fig 1. Revenue



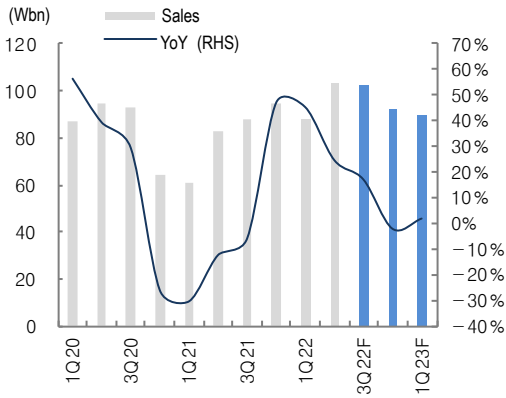
Source: Simmtech, Daishin Securities Research Center

Fig 2. OP margin



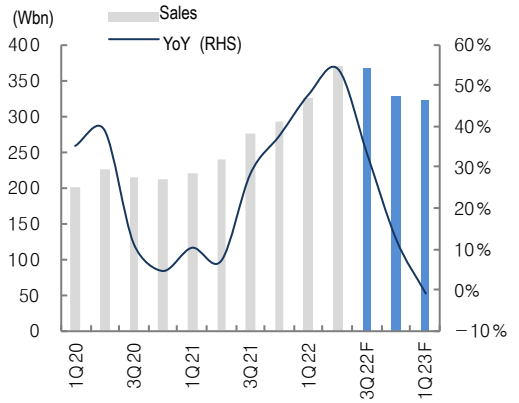
Source: Simmtech, Daishin Securities Research Center

Fig 3. Module PCB sales



Source: Simmtech, Daishin Securities Research Center

Fig 4. Packaging sales



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, \$)		33,500	87.7	201.8	17.3	32.7	23.9	4.0	3.3
Market cap (\$mn)		10,671	6,553	4,775	853	4,605	3,232	5,925	1,477
Revenue (\$mn)	2021A	13,658	8,454	13,059	875	3,572	2,422	1,277	1,277
	2022F	17,943	6,826	14,065	960	2,888	2,134	1,393	1,393
	2023F	19,007	7,057	14,915	1,056	3,091	2,188	1,552	1,552
Revenue yoy (%)	2021A	13.7	24.8	56.6	na	24.0	44.6	31.6	31.6
	2022F	31.4	-19.3	7.7	9.8	-19.2	-11.9	9.1	9.1
	2023F	5.9	3.4	6.0	na	7.0	2.5	11.4	11.4
OP (\$mn)	2021A	1,743	1,299	1,105	63	631	636	179	179
	2022F	4,152	933	1,192	171	507	624	314	314
	2023F	4,352	916	1,234	186	551	608	340	340
OP yoy (%)	2021A	94.2	67.6	91.0	0.0	248.3	2,041.9	293.5	293.5
	2022F	138.2	-28.2	7.9	169.9	-19.7	-1.9	75.1	75.1
	2023F	4.8	-1.8	3.5	na	8.8	-2.5	8.2	8.2
OP margin (%)	2021A	12.8	15.4	8.5	7.2	17.7	26.3	14.0	14.0
	2022F	23.1	13.7	8.5	17.8	17.5	29.2	22.5	22.5
	2023F	22.9	13.0	8.3	na	17.8	27.8	21.9	21.9
PER (x)	2021A	12.6	8.3	6.5	6.7	13.2	6.9	6.6	6.6
	2022F	3.3	9.2	5.6	6.1	12.9	7.1	6.3	6.3
	2023F	3.4	9.9	5.4	5.8	11.9	7.5	6.1	6.1
PBR (x)	2021A	3.9	1.2	1.8	1.6	1.6	2.0	1.4	1.4
	2022F	1.6	1.2	1.5	1.4	1.6	1.8	1.4	1.4
	2023F	1.1	1.1	1.2	1.2	1.5	1.5	1.2	1.2
EV/EBITDA (x)	2021A	6.3	6.0	4.7	6.7	6.8	7.4	11.1	11.1
	2022F	2.0	4.0	3.1	3.0	4.4	3.3	3.4	3.4
	2023F	1.4	3.9	2.8	2.5	3.8	3.2	3.3	3.3
ROE (%)	2021A	35.1	14.7	28.9	18.2	13.6	33.5	23.5	23.5
	2022F	60.7	14.2	30.6	26.0	13.3	28.8	22.9	22.9
	2023F	37.6	12.1	24.8	22.1	12.7	21.8	21.1	21.1
ROA (%)	2021A	21.3	10.1	13.1	13.7	7.1	21.3	11.8	11.8
	2022F	41.3	9.8	13.4	17.7	7.4	19.6	13.6	13.6
	2023F	33.6	9.0	12.2	15.4	7.6	17.6	12.6	12.6
EPS (\$)	2021A	3,616	10.3	32.8	1.1	2.6	3.5	0.3	0.3
	2022F	10,165	9.4	35.4	2.8	2.5	3.3	0.5	0.5
	2023F	9,888	8.8	37.2	2.9	2.7	3.2	0.5	0.5

Note: Simmtek figures are our estimates (W'00mn).

Source: Bloomberg, Quantwise, Daishin Securities Research Center

Financial statements

Income statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Revenue	1,201	1,366	1,794	1,901	2,022
Cost of goods sold	1,005	1,082	1,239	1,321	1,419
Gross profit	196	284	556	580	603
SG&A expenses	107	110	140	145	155
OP	90	174	415	435	449
OP margin	7.5	12.8	23.1	22.9	22.2
EBITDA	165	253	488	509	525
Non-OP	-15	-20	25	1	1
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	40	16	16
Income before taxes	75	154	440	436	449
Income tax expense	-18	-36	-115	-118	-121
Income from cont. op.	56	118	325	318	328
Income from discount op.	0	0	0	0	0
NP	56	118	325	318	328
NP margin	4.7	8.7	18.1	16.7	16.2
NP for non-contr. interest	0	1	1	3	3
NP for contr. interest	57	117	324	315	325
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	1	1	1	1
Comprehensive income	60	126	333	327	338
Comp. income for non-contr. Int.	-1	2	1	3	3
Comp. income for contr. int.	61	124	332	324	334

Valuation metrics	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
EPS	1,943	3,616	10,165	9,888	10,198
PER	11.8	12.6	3.3	3.4	3.3
BPS	9,884	11,703	21,572	30,959	40,657
PBR	2.3	3.9	1.6	1.1	0.8
EBITDAPS	5,680	7,812	15,304	15,977	16,491
EV/EBITDA	5.3	6.3	2.0	1.4	0.9
SPS	41,249	42,144	56,329	59,670	63,489
PSR	0.6	1.1	0.6	0.6	0.5
CFPS	6,144	8,129	17,071	16,987	17,505
DPS	320	500	500	500	500

Financial ratios	(W, x, %)				
	2020A	2021A	2022F	2023F	2024F
Growth potential					
Revenue growth	20.1	13.7	31.4	5.9	6.4
OP growth	TTB	94.2	138.2	4.8	3.1
NP growth	TTB	109.4	174.8	-2.1	3.1
Profitability					
ROIC	10.5	21.3	44.6	42.9	42.1
ROA	11.1	21.3	41.3	33.6	28.1
ROE	25.1	35.1	60.7	37.6	28.5
Stability					
Debt ratio	170.5	124.9	67.2	45.5	34.8
Net borrowings ratio	49.8	38.4	-13.7	-35.9	-48.0
Interest coverage ratio	8.3	18.3	42.1	44.8	46.8

Source: Simmtech, Daishin Securities Research Center

Balance sheet	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Current assets	199	245	549	821	1,109
Cash & cash equiv.	17	17	213	464	728
Trade & other receive.	54	71	123	131	140
Inventories	124	144	199	211	225
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	1,153	1,439	1,749
Current liabilities	350	342	345	330	330
Payables & other liab.	199	191	217	213	218
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	450	451
Controlling interest	288	379	687	986	1,295
Capital stock	17	17	17	17	17
Capital surplus	118	111	111	111	111
Retained earnings	154	244	552	851	1,160
Other capital changes	-2	7	7	7	7
Non-controlling interest	0	2	2	2	3
Total shareholder's equity	288	381	689	989	1,298
Net borrowings	144	147	-95	-355	-623

Cash flow statement	(Wbn)				
	2020A	2021A	2022F	2023F	2024F
Operating cash flows	215	115	306	359	377
NP	56	118	325	318	328
Non-cash items	122	145	219	223	229
Depreciation	76	79	72	74	77
FX gains	0	2	5	5	5
Equity method gain	0	0	0	0	0
Others	47	64	142	145	148
Chg in assets & liab.	51	-119	-114	-56	-50
Other cash flows	-14	-30	-124	-127	-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	196	251	264
Beginning cash balance	10	17	17	213	464
Ending cash balance	17	17	213	464	728
NOPLAT	68	134	307	318	327
FCF	57	135	287	276	277

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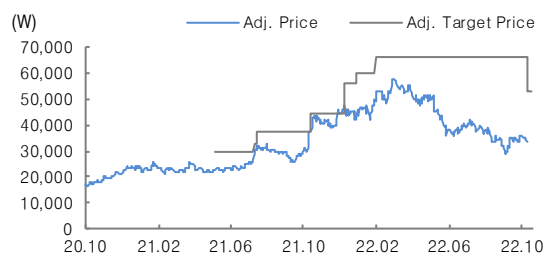
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[Investment rating & Target price history]

Simmtech (222800 KQ)



Date	22.11.07	22.09.07	22.08.24	22.07.31	22.07.20	22.07.10
Rating	Buy	Buy	6M passed	Buy	Buy	Buy
Target price	53,000	66,000	66,000	66,000	66,000	66,000
Diff. (avr. %)		(48.93)	(44.52)	(30.05)	(28.32)	(27.36)
Diff. (max./min., %)		(45.23)	(41.14)	(13.03)	(13.03)	(13.03)
Date	22.06.29	22.05.04	22.03.21	22.02.24	22.02.09	22.01.24
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	66,000	66,000	66,000	66,000	60,000	60,000
Diff. (avr. %)	(26.24)	(24.55)	(19.70)	(22.19)	(23.79)	(24.15)
Diff. (max./min., %)	(13.03)	(13.03)	(13.03)	(19.39)	(17.08)	(21.67)
Date	22.01.23	22.01.03	21.11.07	21.10.07	21.09.24	21.09.06
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	56,000	56,000	44,000	37,000	37,000	37,000
Diff. (avr. %)	(20.33)	(20.33)	(5.68)	(20.02)	(19.41)	(17.98)
Diff. (max./min., %)	(16.70)	(16.70)	4.43	0.00	(11.62)	(11.62)
Date	21.09.01	21.08.25	21.08.11	21.08.05	21.07.13	21.06.24
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	37,000	37,000	37,000	33,000	30,000	30,000
Diff. (avr. %)	(16.46)	(16.05)	(16.13)	(6.41)	(20.91)	(22.96)
Diff. (max./min., %)	(11.62)	(11.62)	(13.92)	(4.24)	(10.83)	(18.67)

Investment rating breakdown and framework (Nov 3, 2022)

	Buy	Marketperform	Underperform
Ratio	93.6%	6.4%	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.