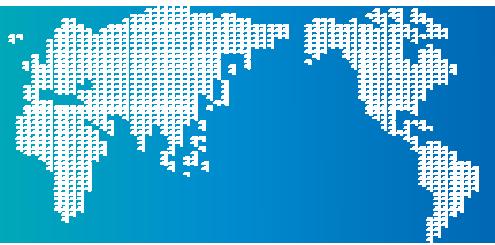


Daishin Results Comment

Jul 20, 2011 + Company Analysis



Simmtech (036710)

BUY [maintain]

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Strong product line and customer base drive margin expansion

Maintain BUY & 6M TP of W20,000

Simmtech reported 2Q11 sales of W154.6bn (+7.6% yoy, +4.3% qoq), OP of W18bn (-26.3% yoy, +8.0% qoq) and NP of W11.6bn (+3.339% yoy, +5.8% qoq) in line with our expectations and the market consensus. Looking ahead into 2H11, we expect solid top-line growth to continue, driven by MCP (Multi Chip Package) and server DDR3 RDIMM. We reiterate BUY and 6M TP of W20,000 on Simmtech for the following reasons:

First, despite a sustained decline in semiconductor prices, amid bearish market conditions, Simmtech has been able to maintain robust revenue growth and stable margins on the back of growing sales of mobile packaging and server products. In 2Q11, sales of MCP and RDIMM increased 11.1% qoq and 42.5% qoq, respectively, making them revenue growth drivers for this year and next. Going forward, MCP sales are forecast to rise in line with the growing share of smartphones in the global handset market. Server DDR3 RDIMM sales will also increase on expanding cloud computing services and growing data traffic.

Second, Simmtech is expected to report 3Q11 OP of W19.9bn (+10.2% qoq) and OP margin of 12.2%. The company boasts the most diversified product portfolio among peers across PC, mobile, server and other segments. Thanks to a secure client base, stemming from its top global M/S in memory modules and BOC, Simmtech is gaining an edge over competitors during the current period of delayed global recovery in the IT industry.

Third, Simmtech's valuation is attractive with shares trading at a P/E of 8.4x the 2011 EPS.

2Q11 OP comes in at W18bn (+8.0% qoq)

Simmtech registered 2Q11 sales of W154.6bn (+7.6% yoy, +4.3% qoq), OP of W18bn (-26.3% yoy, +8.0% qoq) and NP of W11.6bn (+3.339% yoy, +5.8% qoq). Sever RDIMM and MCP sales reached W16.1bn (+42.5% qoq) and W21.4bn (+11.1% qoq), respectively, outpacing overall revenue growth. For 3Q11, the company is expected to report sales of W162.5bn (+5.1% qoq) and OP of W19.9bn (+10.2% qoq).

2Q11 earnings comparison

(Wbn, %)

	Actual		Preliminary			2Q11(F)	Daishin		
	2Q10	1Q11	2Q11(A)	YoY	QoQ		3Q11(F)	YoY	QoQ
Sales	144	148	155	7.6	4.3	158	162	11.0	5.1
OP	24	17	18	-26.3	8.0	20	20	-14.3	10.2
NP	0	11	12	3,339.4	5.8	15	13	-57.8	11.9

Note: K-IFRS separate

Source: Simmtech, WISEfn, Daishin Securities Research Center

Operating results and major financial data

(Wbn, W, x, %)

	2009A	2010A	2011F	2012F	2013F
Sales	497	577	629	648	691
OP	51	85	75	79	83
Pre-tax profit	62	79	64	67	71
NP	49	71	49	51	54
NP for controlling stake	49	71	49	51	54
EPS	2,209	2,635	1,688	1,752	1,851
PE	3.7	5.4	8.2	7.9	7.5
BPS	515	4,696	6,147	7,711	9,374
PB	13.0	3.0	2.3	1.8	1.5
ROE	-335.3	94.1	30.7	24.9	21.4

Note: OP based on data released by the company. EPS, BPS and ROE based on controlling interest, K-IFRS separate

Source: Simmtech, Daishin Securities Research Center

Tab 1 Quarterly earnings forecast

(Wbn)

	1Q11	2Q	3QF	4QF	1Q12F	2QF	3QF	4QF	2010	2011F	2012F
Sales	148.2	154.6	162.5	163.8	155.2	162.8	168.8	161.7	576.7	629.2	648.4
Memory Module	63.9	70.0	71.7	74.1	70.5	73.0	71.7	69.3	244.3	279.7	284.5
Package Substrate	80.4	81.8	87.9	86.8	81.7	86.8	93.9	89.3	314.9	337.0	351.7
Build-up/NW	1.1	0.7	0.7	0.7	0.7	0.8	0.8	0.8	4.6	3.3	3.1
BIB	2.7	2.1	2.1	2.2	2.2	2.3	2.3	2.4	12.9	9.2	9.2
Sales breakdown (%)											
Memory Module	43.1	45.3	44.1	45.2	45.4	44.8	42.5	42.8	42.4	44.5	43.9
Package Substrate	54.3	52.9	54.1	53.0	52.6	53.3	55.7	55.2	54.6	53.6	54.2
Build-up/NW	0.8	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.8	0.5	0.5
BIB	1.8	1.4	1.3	1.3	1.4	1.4	1.4	1.5	2.2	1.5	1.4
OP	16.7	18.0	19.9	20.1	18.1	20.7	21.4	18.8	85.1	74.6	79.0
OP margin	11.3%	11.7%	12.2%	12.3%	11.7%	12.7%	12.7%	11.6%	14.8%	11.9%	12.2%
Pre-tax profit	14.3	15.3	17.1	17.2	15.2	17.8	18.3	15.6	79.4	63.8	66.8
Pre-tax profit margin	9.6%	9.9%	10.5%	10.5%	9.8%	10.9%	10.8%	9.6%	13.8%	10.1%	10.3%
NP	11.0	11.6	13.0	13.1	11.6	13.5	13.9	11.8	70.7	48.7	50.8
NP margin	7.4%	7.5%	8.0%	8.0%	7.5%	8.3%	8.2%	7.3%	12.3%	7.7%	7.8%

Note: K-IFRS separate

Source: Simmtech, Daishin Securities Research Center

[Compliance Notice]

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► 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.

► Sector ratings breakdown

- Overweight : industry indicators are expected to outperform the market over the next 6m
- Neutral : industry indicators are expected to be in line with the market over the next 6m
- Underweight: industry indicators are expected to underperform the market over the next 6ms.

Simmtech (036710) ratings and target price history



Date	11.07.20	11.07.06	11.04.17	11.04.07
Rating	Buy	Buy	Buy	Buy
TP	20,000	20,000	20,000	20,000
Date				
Rating				
TP				
Date				
Rating				
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