Simmtech (036710)

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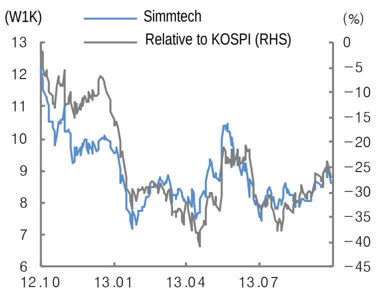
Rating	BUY maintain
6M TP (W)	9,500 maintain
CP (W) (13.10.07)	8,890

Technology Components

KOSDAQ	528.44
Market cap (Wbn)	286
Market cap portion (%)	0.23
Paid-in capital (common; Wbn)	16
52w high/low (W)	12,950 / 7,510
120d avg. trading volume (Wbn)	4.1
Foreign ownership (%)	3.07
Major shareholders	Jeon, Seho +1 : 25.73% Lee, Minju: 9.17%

(%)	1M	3M	6M	12M
Abs. return	6.1	8.3	6.0	-31.4
Rel. return	5.1	7.7	9.8	-30.4



A turnaround is still underway

Maintain BUY with a TP of W9.500

- Simmtech's 3Q13 earnings are expected to miss our forecast and the market's view as its OP turnaround looks delayed until 4Q13.
- Sales are forecast to have risen 10.9% to W144.9bn. Operating loss must have narrowed to W2.4bn. A factory fire in February and weaker-than-expected mobile sales growth put a drag on 3Q13 earnings.
- For 4Q13, sales are expected to reach W158.4bn, an increase of 9.3% qoq. OP is forecast at W3.8bn.

4Q13 marks a turning point

- - Simmtech is still a BUY as the company is set to return to OP in 4Q13 on sales of W158.4bn. Margins are expanding on the increased proportion of mobile sales.
- - The revenue mix is getting better with a drop in outsourcing costs. The impact of February's fire incident is tapering off.
- - Sales and margins are staging a turnaround amid Simmtech's push into FC and CSP as well as production capacity growth for SSD modules and MCP.

(Wbn, %)

	3Q12	2Q13	3Q13(F)	YoY	QoQ	3Q13F Consensus	Difference (%)
Sales	166	131	145	-12.9	10.9	148	-1.9
OP	15	-9	-2	TTR	CL	2	180.4
NP	8	-11	-4	TTR	CL	0	89.7

	2011	2012	2013(F)	Growth		2013(F) Consensus	Difference (%)
				2012	2013		
Sales	612	631	553	3.0	-12.3	561	-1.5
OP	63	46	-15	-26.0	TTR	-4	74.3
NP	42	25	-19	-41.5	TTR	-11	41.6

Source: Simmtech, WISEfn, Daishin Securities Research Center

Daishin Securities

Tab 1. Quarterly earnings forecast (Wbn %)

	1Q12	2Q	3Q	4Q	1Q13	2Q	3QF	4QF	2012	2013F	2014F
Sales	158.3	162.4	166.3	143.7	118.5	130.9	144.9	158.4	630.6	552.8	673.6
Memory Module	75.7	67.8	62.1	49.0	40.3	43.1	45.7	46.0	254.6	175.1	181.4
Package Substrate	80.4	90.9	99.6	92.1	76.3	83.5	94.9	108.0	363.0	362.7	473.9
Build-up/NW	0.3	0.3	0.3	0.5	0.5	0.4	0.4	0.4	1.3	1.7	1.3
BIB	1.9	3.4	4.4	2.1	1.4	3.9	4.0	4.0	11.7	13.4	17.0
Proportion (%)											
Memory Module	47.9	41.7	37.3	34.1	34.0	32.9	31.5	29.0	40.4	31.7	26.9
Package Substrate	50.8	56.0	59.9	64.1	64.4	63.8	65.5	68.2	57.6	65.6	70.4
Build-up/NW	0.2	0.2	0.2	0.3	0.4	0.3	0.3	0.2	0.2	0.3	0.2
BIB	1.2	2.1	2.6	1.5	1.2	3.0	2.8	2.5	1.9	2.4	2.5
OP	13.6	15.0	14.5	3.2	-7.6	-8.8	-2.4	3.8	46.3	-15.0	29.9
OP margin	8.6%	9.2%	8.7%	2.2%	-6.4%	-6.7%	-1.6%	2.4%	7.3%	-2.7%	4.4%
Pre-tax profit	12.0	12.8	11.5	-3.4	-10.9	-11.6	-4.4	2.2	32.9	-24.7	22.7
Pre-tax profit margin	7.6%	7.9%	6.9%	-2.4%	-9.2%	-8.9%	-3.1%	1.4%	5.2%	-4.5%	3.4%
NP	9.2	9.9	8.4	-2.9	-8.1	-9.4	-3.5	1.9	24.6	-19.2	18.1
NP margin	5.8%	6.1%	5.1%	-2.0%	-6.9%	-7.2%	-2.4%	1.2%	3.9%	-3.5%	2.7%

Note: K-IFRS consolidated

Source: Simmtech, Daishin Securities Research Center

Financial statement

Income statement (Wbn)

	2011A	2012A	2013F	2014F	2015F
Sales	612	631	553	674	728
Cost of goods sold	514	544	529	601	643
Gross profit	98	86	24	73	85
SG&A expenses	36	40	39	43	49
OP	63	46	-15	30	37
OP margin	10.2	7.3	-2.7	4.4	5.1
EBITDA	94	79	14	57	63
Non-OP	-11	-13	-10	-7	-4
Income from affiliates	0	-3	-3	-3	-3
Financial revenue	18	15	12	12	13
FX related gains	0	0	0	0	0
Financial expense	-28	-19	-22	-18	-16
FX related losses	18	13	10	11	11
Others	-1	-6	4	2	3
Income before taxes	52	33	-25	23	33
Income tax expense	-10	-8	6	-5	-7
Income from cont. op.	42	25	-19	18	26
Income from discont. op.	0	0	0	0	0
NP	42	25	-19	18	26
NP margin	6.8	3.9	-3.5	2.7	3.6
NP for non-contr. interest	0	0	0	0	0
NP for contr. interest	42	25	-19	18	26
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	0	0	0	0
Comprehensive income	40	25	-19	18	26
Comp. income for non-contr. Int.	0	0	0	0	0
Comp. income for contr. int.	40	25	0	0	0

Balance sheet (Wbn)

	2011A	2012A	2013F	2014F	2015F
Current assets	153	191	182	147	147
Cash & cash equiv.	16	52	53	12	2
Trade & other receive.	70	65	60	68	72
Inventories	66	74	69	67	73
Other current assets	1	0	0	0	0
Long-term assets	294	312	308	291	280
Tangible assets	231	239	240	227	221
Investments in affiliates	34	27	23	19	15
Other long-term assets	30	46	45	45	44
Total assets	447	503	491	438	427
Current liabilities	226	168	206	157	136
Payables & other liab.	97	100	102	112	117
Borrowings	126	64	100	40	14
Current portion of LT debts	0	0	0	0	0
Other current liabilities	3	5	5	5	5
Long-term liabilities	48	121	95	80	70
Borrowings	35	63	85	70	60
Convertible securities	0	45	45	45	45
Other long-term liab.	13	12	-35	-35	-34
Total liabilities	274	288	301	237	206
Controlling interest	173	215	189	201	221
Capital stock	15	16	16	16	16
Capital surplus	82	102	102	102	102
Retained earnings	78	98	72	84	104
Other capital changes	-2	-1	-1	-1	-1
Non-controlling interest	0	0	0	0	0
Total shareholder's equity	173	215	189	201	221
Total borrowings	145	119	177	143	117

Valuation metrics (W, x, %)

	2011A	2012A	2013F	2014F	2015F
EPS	1,435	792	-596	563	818
PER	8.5	13.0	NA	15.8	10.9
BPS	5,895	6,676	5,881	6,245	6,864
PBR	2.1	1.5	1.5	1.4	1.3
EBITDAPS	3,232	2,558	439	1,775	1,960
EV/EBITDA	5.3	5.7	32.8	7.5	6.4
SPS	20,950	20,361	17,167	20,920	22,623
PSR	0.6	0.5	0.5	0.4	0.4
CFPS	3,581	2,776	856	2,139	2,353
DPS	200	200	200	200	200

Financial ratios (W, x, %)

	2011A	2012A	2013F	2014F	2015F
Growth potential					
Sales growth	6.2	3.0	-12.3	21.9	8.1
OP growth	-25.4	-26.0	TTR	TTB	23.1
NP growth	-40.5	-41.5	TTR	TTB	45.3
Profitability					
ROIC	16.4	11.0	-3.8	8.2	10.5
ROA	14.2	9.7	-3.0	6.4	8.5
ROE	27.0	12.6	-9.5	9.3	12.5
Stability					
Debt ratio	158.3	134.1	159.1	117.9	93.1
Net borrowings ratio	83.8	55.5	93.4	71.2	52.8
Interest coverate ratio	6.8	7.0	-1.2	3.8	7.0

Source: Simmtech, Daishin Securities Research Center

Cash flow statement (Wbn)

	2011A	2012A	2013F	2014F	2015F
Operating cash flows	63	70	27	54	53
Net income	42	25	-19	18	26
Non-cash items	63	61	47	51	49
Depreciation	32	33	29	27	26
FX gains	4	0	-1	-1	-1
Equity method gain	0	0	0	0	0
Others	27	29	19	24	24
Chg in assets & liab.	-33	-6	5	-3	-12
Other cash flows	-9	-10	-6	-11	-11
Investing cash flow	-15	-64	-26	-10	-16
Investment assets	-2	-2	4	4	4
Tangible assets	-20	-62	-30	-14	-20
Others	6	0	0	0	0
Financing cash flows	-45	31	55	-79	-40
Short-term borrowings	-52	-64	36	-60	-26
Bonds payable	-8	50	0	0	0
Long-term borrowings	35	33	22	-15	-11
Rights offering	2	17	0	0	0
Cash dividends	-5	-6	-6	-6	-6
Others	-17	1	3	3	3
Net chg in cash	2	37	1	-41	-10
Beginning cash balance	13	16	52	53	12
Ending cash balance	16	52	53	12	2
NOPLAT	51	35	-12	24	29
Operating cash flows	62	5	-12	37	36

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[Investment rating & Target price history]

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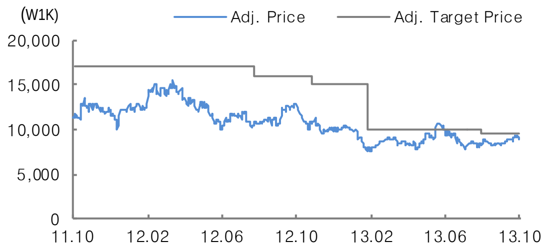

Date	13.10.08	13.08.06	13.07.02	13.06.03	13.05.27	13.05.06
Rating	Buy	Buy	Buy	Buy	Buy	Buy
TP	9,500	9,500	10,000	10,000	10,000	10,000
Date	13.04.29	13.04.02	13.03.04	13.02.04	13.01.31	13.01.06
Rating	Buy	Buy	Buy	Buy	Buy	Buy
TP	10,000	10,000	10,000	10,000	10,000	15,000
Date	12.12.03	12.11.02	12.11.01	12.10.08	12.09.03	12.08.01
Rating	Buy	Buy	Buy	Buy	Buy	Buy
TP	15,000	15,000	15,000	16,000	16,000	16,000
Date	12.07.30	12.07.02	12.06.03	12.05.29	12.05.01	12.04.29
Rating	Buy	Buy	Buy	Buy	Buy	Buy
TP	16,000	17,000	17,000	17,000	17,000	17,000

Investment ratings framework

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.