

August 8, 2014 Company Earnings Review



Simmtech (036710)

BUY (maintain)

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Beginning of Turnaround

Current price (Aug 8)	KRW7,310
Target Price	KRW11,000

- 2Q14 OP turned to black
- Profitability to keep rising in 2H14
- BUY upheld with target price of KRW11,000

Fig 1: 2Q14 earnings results

(KRWbn)	2Q14P	% Change		HRC est.	Market Cons.
		YoY	QoQ		
OR	162.4	24.0	12.0	159.2	152.0
OP	3.6	TB	TB	5.9	3.2
NP attributable to parent	-2.1	Loss cont.	Loss cont.	2.3	1.3

Source: Company data, Hyundai Securities

Fig 2: Adjusted annual earnings estimates

(KRWbn)	Revised		% Change	
	2014F	2015F	2014F	2015F
OR	663.7	735.5	3.2	4.1
OP	12.8	52.7	(54.3)	13.2
NP attributable to parent	(6.8)	28.3	Loss cut	1.9
Adj. EPS (KRW)	(213.8)	884	Loss cut	1.9
BPS (KRW)	5,146	6,029	(12.2)	(6.9)
Adj. ROE (%)	(4.1)	15.8	Loss cut	1.8

Source: Hyundai Securities

2Q14 OP turned to black

Simmtech's 2Q14 OR climbed 12%QoQ to KRW162.4bn and OP swung into a profit of KRW3.6bn QoQ, driven by fixed cost reductions associated with OR growth. It is positive that OR ascended QoQ, despite deteriorated downstream market conditions (mobile devices).

Profitability to keep rising in 2H14

3Q14 OP is also expected to improve QoQ (OP margin estimated at 3.7%), aided by fixed cost reductions stemming from OR growth. The profitability uptrend looks to continue in 4Q14 (OP margin estimated at 5.3%), driven by increased new product production yield (FC-CSP-use substrate). Profitability improvement is expected to continue in the mid/long term as well, due to increasing sales of items with relatively better margins (MCP/FC-CSP-use substrate, SSD-use module PCB) and yield stabilization. Also, thanks to a diversified customer portfolio, the company enjoys relatively higher sales stability compared to peers even in the face of a sluggish downstream industry (mobile devices) conditions.

BUY held with target price of KRW11,000

Given the expected sharp improvement in 2015 NP, we have revised up our adjusted EPS estimate by 2%. The shares recently rallied on expectations of an earnings turnaround, and are likely to rise further because the profitability improvement looks to continue for some time. We maintain a BUY rating with a target price of KRW11,000.

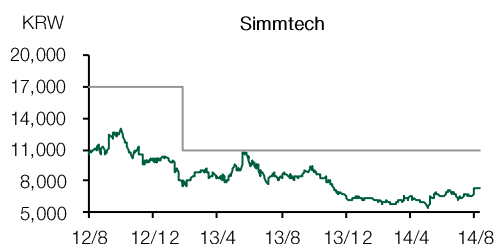
FY-end	12/12A	12/13A	12/14F	12/15F	12/16F
(Reporting standard)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)	(IFRS-C)
OR (KRWbn)	631.4	526.3	663.7	735.5	828.9
OP (KRWbn)	46.7	(33.4)	12.8	52.7	82.4
NP (KRWbn)	19.7	(27.6)	(6.8)	28.2	52.4
Parent NP (KRWbn)	19.6	(27.6)	(6.8)	28.3	52.6
EPS (KRW)	642	(863)	(214)	884	1,641
Adj. EPS (KRW)	642	(863)	(214)	884	1,641
PER* (x)	24.3-14.6	NA-NA	NA	8.3	4.5
PBR (x)	1.6	1.2	1.4	1.2	1.0
EV/EBITDA (x)	5.7	116.9	7.9	4.1	2.7
Div. Yield (%)	1.9	NA	0.0	0.0	0.0
ROE (%)	10.3	(14.6)	(4.1)	15.8	24.0
ROIC (%)	12.6	(10.9)	1.8	12.3	20.0

Note: IFRS-C = Consolidated financial statements; IFRS-P = Individual financial statements

Source: Company data, Hyundai Securities

Disclosures

■ Rating and Target Price Changes



Company	Date	Rating	Target Price (KRW)
Simmtech	13/01/31	BUY	11,000

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Rating: Sector: Overweight (+10% or more), Neutral (-10 - +10%), Underweight (-10% or more) Company: Strong BUY (+30% or more), BUY (+10 - +30%), Marketperform (-10 - +10%), Underperform (-10% or more) (Share price —, Target Price —)

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