

Simmtech (222800 KQ)

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Rating **BUY**
maintain

6M TP (W) **56,000**
raise

CP (W)
(22.01.03) **47,050**

Home appliances & Electronic components

4Q21 and 2022 earnings to hit all-time highs

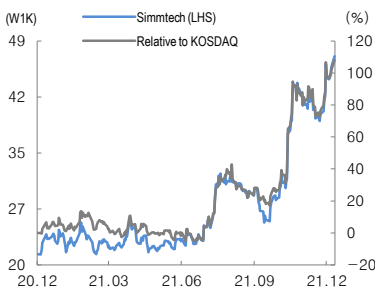
BUY; 6M TP raised 27% to W56,000

- We now believe the semiconductor parts maker will report 4Q21 OP of W61.9bn (up 22.8% qoq; up 320.0% yoy), more than our previous estimate of W59.5bn and the market's view of W59.6bn, on revenue of W395.8bn (up 8.2% qoq; up 42.0% yoy). The record earnings are likely driven by two straight quarters of much better-than-expected revenue and OP margins from high value-added products (FC CSP, MCP), a result of last year's capex investments in modified semi-additive process (mSAP). Looking at its differentiated product mix consisting of package substrates and module PCBs, we see Simmtech's top and bottom lines hitting all-time highs also in 2022.
- FC BGAs are likely to remain in short supply worldwide this year and the supply of package substrates is expected to trail demand that is growing due to the accelerated pivot to 5G phones, which could mean more orders for MCP, FC CSP, and GDDR6 for Simmtech (trickle-down effect) and a continued boost from a diversified product mix. Considering that, plus the transition from DDR4 to DDR5 memory chips, we forecast its revenue and OP to reach W1.59tn (up 16.4%) and W211.5bn (up 33.2%) this year.
- In reflection of the upgraded 4Q21 forecast, we revise up our 2021 and 2022 EPS estimates by 1.2% and 2.7%, respectively, and our target price to W56,000 (11.9x EPS). The stock is currently trading at 9.5 times estimated 2022 EPS, still undervalued relative to the broader sector and competitors, in our view, with some upside potential. Simmtech is a strong-performing package substrate company that merits a BUY rating.

2022 OP to jump 33% to touch all-time high of W211.5bn

- Samsung Electronics and SK Hynix will start supplying DDR5 DRAMs for PC/server applications this year, a likely boon for Simmtech, the world's largest manufacturer of PCB and packaging substrates for semiconductors, which stands to benefit from an early bump in average prices and revenue. We predict the transition to the next-gen DDR5 DRAMs to be rapid given the strong demand for notebooks and servers amid extended mobility restrictions. There are some production hiccups at Samsung's Xian, China factory, but its impact on Simmtech is likely to be limited given the company's existing order backlog. Once production resumes, the transition to the more lucrative DDR5 DRAMs should take off, further improving Simmtech's product mix.
- Unlike its domestic rivals, which focused their capex on FC BGA, SiP, and AiP last year, Simmtech invested in mSAP, a move that could help drive sales of FC CSP and MCP and boost the revenue share of high-margin products in 2022. Record earnings are in the bag in 2022, in our view, with OP margins expected to climb to 13.3% from an estimated 11.6% in 2021 and 7.5% in 2020.

KOSDAQ	1037.83
Market cap (Wbn)	1,499
Market cap portion (%)	0.34
Paid-in capital (common; Wbn)	16
52w high/low (W)	47,050 / 21,400
120d avg. trading volume (Wbn)	35.5
Foreign ownership (%)	14.46
Major shareholders	Simmtech Holdings+8: 33.28% NPS: 5.08%
(%)	1M 3M 6M 12M
Abs. return	14.3 74.3 97.3 105.9
Rel. return	10.0 65.1 97.3 92.1



	4Q20	3Q21	Previous estimate	Daishin estimate	4Q21(F)			1Q22		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	279	366	390	396	42.0	8.2	388	370	30.6	-6.6
OP	15	50	59	62	320.3	22.8	60	43	179.9	-30.7
NP	2	53	47	49	2,113.0	-7.3	46	33	415.9	-33.1

Source: Simmtech, FnGuide, Daishin Securities Research Center

Operating results and major financial data (Wbn, W, x, %)

	2019A	2020A	2021F	2022F	2023F
Revenue	1,000	1,201	1,370	1,594	1,630
OP	-18	90	159	212	207
Pretax profit	-42	75	159	207	203
NP	-39	56	126	153	150
NP (controlling int.)	-37	57	125	153	150
EPS	-1,483	1,943	3,857	4,801	4,709
PER	NA	11.8	11.8	9.5	9.7
BPS	6,590	9,884	12,407	17,105	21,494
PBR	1.8	2.3	3.8	2.8	2.2
ROE	-19.5	25.1	36.2	32.3	24.4

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	
	2021F	2022F	2021F	2022F	2021F	2022F
Revenue	1,364	1,577	1,370	1,594	0.4	1.1
SG&A expense	116	123	116	125	0.0	1.1
OP	156	209	159	212	1.5	1.2
OP margin	11.5	13.3	11.6	13.3	0.1	0.0
Non-operating profit	0	-8	0	-5	CL	CL
Pretax profit	157	201	159	207	1.3	2.7
NP (controlling int.)	123	149	125	153	1.2	2.7
NP margin	9.1	9.4	9.2	9.6	0.1	0.2
EPS (controlling int.)	3,810	4,674	3,857	4,801	1.2	2.7

Source: Simmtech, Daishin Securities Research Center

Tab 1. Earnings forecast by business (revised) (Wbn, %)

	1Q20	2Q	3Q	4Q	1Q21	2Q	3Q	4QF	2020	2021F	2022F
Module PCB	87.2	94.7	93.0	64.2	60.7	83.0	87.5	95.9	339.1	327.1	359.0
PC	16.4	16.7	16.4	12.7	12.4	19.2	20.9	26.2	62.2	78.7	95.6
Server	49.0	58.7	54.4	34.1	30.3	43.8	43.7	47.4	196.2	165.2	180.3
SSD	21.5	18.3	22.1	16.0	13.9	17.8	22.5	22.2	77.9	76.4	82.3
Package substrates	200.5	224.5	215.0	212.5	221.0	240.3	276.0	297.5	852.6	1,034.7	1,225.9
MCP	125.7	139.8	114.8	128.9	143.6	154.3	168.7	181.1	509.2	647.6	752.8
FC-CSP	23.8	17.5	21.3	20.8	25.7	24.5	31.0	34.2	83.4	156.4	203.7
SiP	4.7	4.7	9.8	7.7	3.9	6.7	14.8	17.7	26.9	43.2	74.2
BOC	22.6	21.9	21.1	16.8	20.8	21.0	17.6	19.5	82.4	78.9	79.4
GDDR6	19.7	35.0	33.5	30.4	25.9	27.5	37.1	41.8	118.6	132.3	169.5
Revenue	290.3	321.8	310.6	278.8	283.1	324.7	366.0	395.8	1,201.4	1,369.6	1,593.9
Revenue share (%)											
Module PCB	30.0%	29.4%	29.9%	23.0%	21.4%	25.6%	23.9%	24.2%	28.2%	23.9%	22.5%
Package substrates	69.1%	69.8%	69.2%	76.2%	78.1%	74.0%	75.4%	75.2%	71.0%	75.6%	76.9%
OP	13.7	30.7	30.7	14.7	15.3	31.2	50.4	61.9	89.7	158.8	211.5
OP margin	4.7%	9.5%	9.9%	5.3%	5.4%	9.6%	13.8%	15.6%	7.5%	11.6%	13.3%
Pretax profit	10.2	27.7	27.0	9.9	8.9	25.5	57.7	66.7	74.9	158.8	206.7
Pretax margin	3.5%	8.6%	8.7%	3.5%	3.2%	7.9%	15.8%	16.8%	6.2%	11.6%	13.0%
NP (attr. to contr.int.)	8.2	23.5	22.7	2.2	6.3	17.0	52.8	48.9	56.6	125.0	152.9
NP margin	2.8%	7.3%	7.3%	0.8%	2.2%	5.2%	14.4%	12.4%	4.7%	9.1%	9.6%

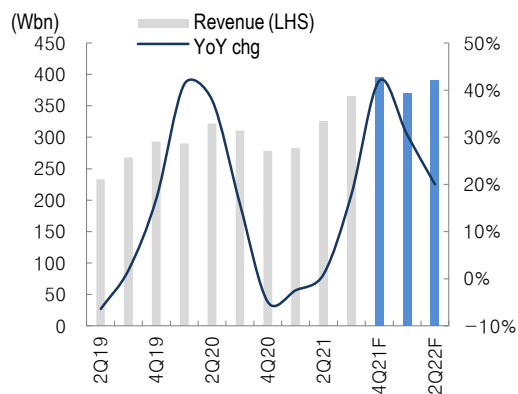
Source: Simmtech, Daishin Securities Research Center

Tab 2. Earnings forecast by business (previous) (Wbn, %)

	1Q20	2Q	3Q	4Q	1Q21	2Q	3Q	4QF	2020	2021F	2022F
Module PCB	87.2	94.7	93.0	64.2	60.7	83.0	87.5	95.5	339.1	326.6	357.4
PC	16.4	16.7	16.4	12.7	12.4	19.2	20.9	25.9	62.2	78.4	94.7
Server	49.0	58.7	54.4	34.1	30.3	43.8	43.7	47.2	196.2	165.0	179.6
SSD	21.5	18.3	22.1	16.0	13.9	17.8	22.5	22.2	77.9	76.4	82.3
Package substrates	200.5	224.5	215.0	212.5	221.0	240.3	276.0	292.1	852.6	1,029.3	1,210.1
MCP	125.7	139.8	114.8	128.9	143.6	154.3	168.7	175.8	509.2	642.4	737.6
FC-CSP	23.8	17.5	21.3	20.8	25.7	24.5	31.0	34.4	83.4	156.4	203.7
SiP	4.7	4.7	9.8	7.7	3.9	6.7	14.8	18.0	26.9	43.4	75.2
BOC	22.6	21.9	21.1	16.8	20.8	21.0	17.6	19.3	82.4	78.8	78.8
GDDR6	19.7	35.0	33.5	30.4	25.9	27.5	37.1	41.8	118.6	132.3	169.5
Revenue	290.3	321.8	310.6	278.8	283.1	324.7	366.0	390.0	1,201.4	1,363.8	1,576.5
Revenue share (%)											
Module PCB	30.0%	29.4%	29.9%	23.0%	21.4%	25.6%	23.9%	24.5%	28.2%	24.0%	22.7%
Package substrates	69.1%	69.8%	69.2%	76.2%	78.1%	74.0%	75.4%	74.9%	71.0%	75.5%	76.8%
OP	13.7	30.7	30.7	14.7	15.3	31.2	50.4	59.5	89.7	156.4	209.0
OP margin	4.7%	9.5%	9.9%	5.3%	5.4%	9.6%	13.8%	15.2%	7.5%	11.5%	13.3%
Pretax profit	10.2	27.7	27.0	9.9	8.9	25.5	57.7	64.6	74.9	156.7	201.2
Pretax margin	3.5%	8.6%	8.7%	3.5%	3.2%	7.9%	15.8%	16.6%	6.2%	11.5%	12.8%
NP (attr. to contr.int.)	8.2	23.5	22.7	2.2	6.3	17.0	52.8	47.4	56.6	123.5	148.9
NP margin	2.8%	7.3%	7.3%	0.8%	2.2%	5.2%	14.4%	12.2%	4.7%	9.1%	9.4%

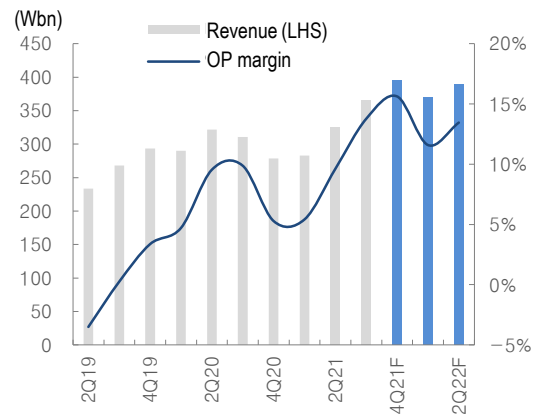
Source: Simmtech, Daishin Securities Research Center

Fig 1. Companywide revenue



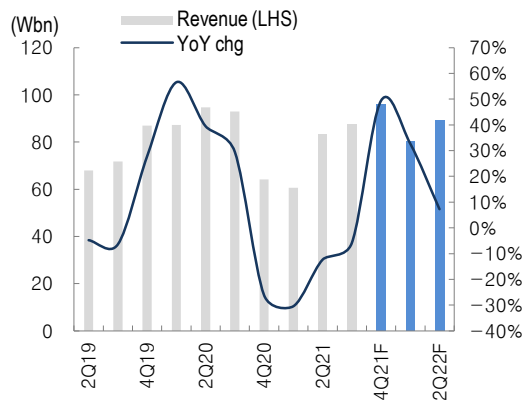
Source: Simmtech, Daishin Securities Research Center

Fig 2. Companywide quarterly revenue and OP margin



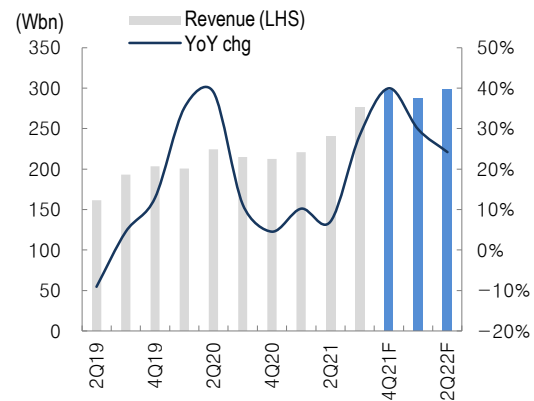
Source: Simmtech, Daishin Securities Research Center

Fig 3. Module PCB revenue



Source: Simmtech, Daishin Securities Research Center

Fig 4. Package substrate revenue



Source: Simmtech, Daishin Securities Research Center

Tab 3. Peers (package substrates)

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 (Jan 3, \$)		47,050	163.1	310.8	20.6	59.3	47.6	8.4	8.5
Market cap (\$mn)		14,987	12,186	7,355	1,020	8,355	6,435	12,339	3,853
Revenue (\$mn)	2020A	12,014	6,970	8,102	N/A	3,051	1,774	2,985	920
	2021F	13,696	8,372	11,883	823	3,495	2,304	3,721	1,300
	2022F	15,939	8,773	12,300	1,012	3,797	2,503	4,501	1,592
Revenue yoy (%)	2020A	20.1	6.4	19.6	N/A	9.3	26.8	6.5	21.4
	2021F	14.0	20.1	46.7	N/A	14.5	29.9	24.6	41.2
	2022F	16.4	4.8	3.5	23.0	8.7	8.6	21.0	22.5
OP (\$mn)	2020A	897	704	578	0	364	220	136	46
	2021F	1,588	1,275	1,070	57	550	519	431	182
	2022F	2,115	1,445	1,061	95	632	541	727	277
OP yoy (%)	2020A	-600.5	10.7	41.4	N/A	298.6	403.2	20.7	TTB
	2021F	76.9	81.1	85.0	N/A	50.9	136.0	215.8	299.8
	2022F	33.2	13.3	-0.8	65.3	14.9	4.1	68.8	52.4
OP margin (%)	2020A	7.5	10.1	7.1	N/A	11.9	12.4	4.6	4.9
	2021F	11.6	15.2	9.0	7.0	15.7	22.5	11.6	14.0
	2022F	13.3	16.5	8.6	9.4	16.6	21.6	16.2	17.4
PER (x)	2020A	11.8	14.4	10.6	38.9	26.3	21.7	33.0	40.0
	2021F	12.2	13.6	9.9	21.3	22.9	18.7	28.5	27.5
	2022F	9.8	12.1	10.1	14.1	19.0	17.2	20.5	18.4
PBR (x)	2020A	2.3	2.1	2.8	1.8	2.8	4.3	6.2	3.8
	2021F	3.8	2.2	2.6	1.9	2.7	4.0	6.0	3.9
	2022F	2.8	1.9	2.1	1.7	2.4	3.4	5.0	3.3
EV/EBITDA (x)	2020A	5.3	8.0	4.0	N/A	10.0	10.9	11.3	5.7
	2021F	7.0	6.1	4.9	7.8	8.2	7.9	16.4	11.3
	2022F	5.4	5.6	4.8	8.3	6.8	6.7	10.8	8.5
ROE (%)	2020A	25.1	15.8	27.5	4.6	11.7	21.7	20.3	10.0
	2021F	36.2	17.3	30.7	8.9	12.6	23.2	21.6	13.3
	2022F	32.3	16.6	23.2	12.4	13.4	20.9	24.5	17.5
ROA (%)	2020A	11.1	10.4	10.2	3.9	6.3	13.9	7.8	5.6
	2021F	19.1	11.3	12.4	6.9	7.4	16.7	8.8	8.7
	2022F	22.2	11.4	11.0	9.7	8.3	15.9	11.0	11.4
EPS (\$)	2020A	1,943	6.8	8.5	N/A	1.7	1.3	0.1	0.0
	2021F	3,857	12.1	31.6	1.0	2.6	2.6	0.3	0.3
	2022F	4,801	13.5	30.9	1.5	3.1	2.8	0.4	0.5

Source: Bloomberg, Quantwise, Daishin Securities Research Center

Financial statements

Income statement (W/bn)					
	2019A	2020A	2021F	2022F	2023F
Revenue	1,000	1,201	1,370	1,594	1,630
Cost of goods sold	912	1,005	1,095	1,258	1,297
Gross profit	88	196	275	336	333
SG&A expenses	106	107	116	125	126
OP	-18	90	159	212	207
OP margin	-1.8	7.5	11.6	13.3	12.7
EBITDA	56	165	229	283	281
Non-OP	-24	-15	0	-5	-5
Income from affiliates	0	0	0	0	0
Financial revenue	23	40	33	33	33
FX related gains	0	0	0	0	0
Financial expense	-36	-55	-50	-50	-50
FX related losses	22	44	37	37	37
Others	-11	0	17	12	12
Income before taxes	-42	75	159	207	203
Income tax expense	3	-18	-33	-54	-53
Income from cont. op.	-39	56	126	153	150
Income from discount op.	0	0	0	0	0
NP	-39	56	126	153	150
NP margin	-3.9	4.7	9.2	9.6	9.2
NP for non-contr. interest	-3	0	1	0	0
NP for contr. interest	-37	57	125	153	150
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	0	0	0	0
Comprehensive income	-40	60	130	156	153
Comp. income for non-contr. Int.	-3	-1	1	0	0
Comp. income for contr. int.	-37	61	128	156	153

Valuation metrics (W, x, %)					
	2019A	2020A	2021F	2022F	2023F
EPS	-1,483	1,943	3,857	4,801	4,709
PER	NA	11.8	11.8	9.5	9.7
BPS	6,590	9,884	12,407	17,105	21,494
PBR	1.8	2.3	3.8	2.8	2.2
EBITDAPS	2,284	5,680	7,062	8,876	8,834
EV/EBITDA	11.0	5.3	7.0	5.4	5.0
SPS	40,559	41,249	42,259	50,038	51,169
PSR	0.3	0.6	1.1	0.9	0.9
CFPS	2,557	6,144	8,180	9,858	9,815
DPS	152	320	320	320	320

Financial ratios (W, x, %)					
	2019A	2020A	2021F	2022F	2023F
Growth potential					
Revenue growth	-0.7	20.1	14.0	16.4	2.3
OP growth	TTR	TTB	76.9	33.2	-1.9
NP growth	TTR	TTB	123.2	21.3	-1.9
Profitability					
ROIC	-2.4	10.5	19.9	22.7	21.0
ROA	-2.2	11.1	19.1	22.2	19.0
ROE	-19.5	25.1	36.2	32.3	24.4
Stability					
Debt ratio	420.0	170.5	119.0	88.4	69.5
Net borrowings ratio	208.0	49.8	22.8	3.7	-13.1
Interest coverage ratio	-1.3	8.3	12.3	16.5	16.3

Source: Simmttech, Daishin Securities Research Center

Balance sheet (W/bn)					
	2019A	2020A	2021F	2022F	2023F
Current assets	254	199	286	422	537
Cash & cash equiv.	10	17	66	137	245
Trade & other receive.	93	54	64	82	84
Inventories	147	124	152	199	204
Other current assets	5	4	4	4	4
Long-term assets	586	581	596	605	625
Tangible assets	514	513	528	537	558
Investments in affiliates	0	0	0	0	0
Other long-term assets	72	69	68	67	67
Total assets	840	780	881	1,027	1,161
Current liabilities	552	350	351	366	372
Payables & other liab.	259	199	197	208	210
Borrowings	172	38	38	39	40
Current portion of LT debts	116	50	51	52	53
Other current liabilities	5	64	66	67	69
Long-term liabilities	127	141	128	115	104
Borrowings	24	39	36	32	29
Convertible securities	21	0	0	0	0
Other long-term liab.	81	102	92	83	75
Total liabilities	678	491	479	482	476
Controlling interest	162	288	402	545	685
Capital stock	12	17	17	17	17
Capital surplus	50	118	118	118	118
Retained earnings	104	154	269	412	552
Other capital changes	-3	-2	-2	-2	-2
Non-controlling interest	-1	0	0	0	0
Total shareholder's equity	162	288	403	545	685
Net borrowings	336	144	92	20	-89

Cash flow statement (W/bn)					
	2019A	2020A	2021F	2022F	2023F
Operating cash flows	-32	215	240	253	303
NP	-39	56	126	153	150
Non-cash items	102	122	139	161	163
Depreciation	74	76	70	71	74
FX gains	-3	0	5	5	5
Equity method gain	0	0	0	0	0
Others	31	47	64	85	84
Chg in assets & liab.	-75	51	20	5	56
Other cash flows	-20	-14	-45	-66	-65
Investing cash flow	-74	-83	-85	-81	-94
Investment assets	0	0	0	0	0
Tangible assets	-73	-82	-85	-80	-94
Others	-1	-1	-1	-1	-1
Financing cash flows	87	-125	-25	-23	-23
Short-term borrowings	48	-164	0	1	1
Bonds payable	67	-39	0	0	0
Long-term borrowings	11	29	-4	-3	-3
Rights offering	6	76	0	0	0
Cash dividends	-4	-4	-10	-10	-10
Others	-41	-22	-10	-10	-10
Net chg in cash	-18	7	49	71	108
Beginning cash balance	27	10	17	67	137
Ending cash balance	10	17	67	137	246
NOPLAT	-17	68	126	157	154
FCF	-18	57	108	144	130

[Daishin House View: Industry 4.0 safety rating]

- Daishin Securities assigns safety ratings to individual sectors and companies based on analyses and discussions by our analysts.
- Depending on whether Industry 4.0 will have a positive, neutral, or negative impact, each industry and company is assigned one of three safety ratings:

Dark Gray (negative)	Neutral Green (neutral)	Sky Blue (positive)
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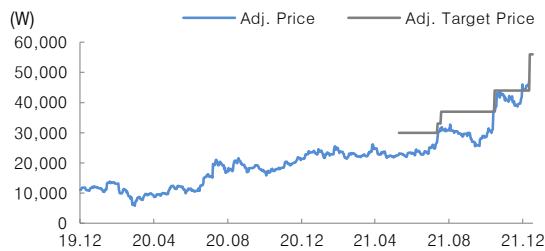
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[Investment rating & Target price history]

Simmtech (222800 KQ)



Date	22.01.04	21.11.07	21.10.07	21.09.24	21.09.06	21.09.01
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	56,000	44,000	37,000	37,000	37,000	37,000
Diff. (avr. %)		(5.36)	(20.02)	(19.66)	(18.02)	(16.52)
Diff. (max./min., %)		6.93	0.00	(11.62)	(11.62)	(11.62)

Date	21.08.25	21.08.11	21.08.05	21.07.13	21.06.24	21.06.02
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	37,000	37,000	33,000	30,000	30,000	30,000
Diff. (avr. %)	(16.26)	(16.20)	(6.52)	(20.91)	(22.96)	(23.72)
Diff. (max./min., %)	(11.62)	(13.92)	(4.24)	(10.83)	(18.67)	(22.00)

Date	
Rating	
Target price	
Diff. (avr. %)	
Diff. (max./min., %)	

Date	
Rating	
Target price	
Diff. (avr. %)	
Diff. (max./min., %)	

Investment rating breakdown and framework (Jan 1, 2022)

	BUY	MARKETPERFORM	UNDERPERFORM
Ratio	92.9%	7.1%	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.