

Simmtech (222800 KQ)

John Park
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Rating **BUY**
maintain

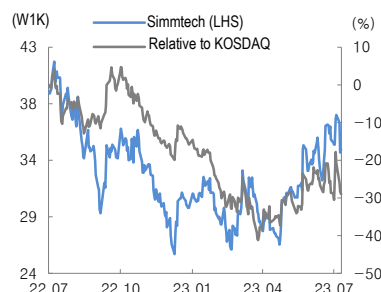
6M TP (₩) **47,000**
maintain

CP (₩)
(23.08.03.) **34,400**

Home appliances & electronic components

KOSDAQ	920.32
Market cap (Wbn)	1,096
Market cap portion (%)	0.27
Paid-in capital (common; Wbn)	16
52w high/low (₩)	40,950 / 25,600
120d avg trading volume (Wbn)	21.2
Foreign ownership (%)	4.24%
Major shareholders	Simmtech Holdings+8: 33.27%

(%)	1M	3M	6M	12M
Abs. return	-1.7	17.4	11.9	-14.5
Rel. return	-5.0	7.6	-6.8	-24.3



All eyes on profit turnaround, higher capacity utilization in 3Q

- Loss continued in 2Q, totaling W21.6bn on operating basis, a likely bottom
- Turnaround in view in 3Q, with OP estimated at W6.4bn
- 2H23 to see boost in Q (shipments, capacity utilization) and P (price, product mix)

BUY; 6M TP maintained at W47,000

Our target price for the chip parts maker is kept at W47,000 (13.3x 2024E EPS) as we continue to see its operating performance improve (narrower loss in 2Q, swing to black in 3Q and increased profit in 4Q) and its margin recovery gather steam in 2H23 thanks to increased shipments at memory and smartphone makers. Simmtech is our top pick among PCB suppliers.

Swing to OP (W6.4bn), downstream demand recovery in view in 3Q23

The company incurred operating loss of W21.6bn on revenue of W253.7bn (up 24.4% qoq; down 46.9% yoy) in 2Q23, largely in line with our estimates and the market's view. It remained in the red qoq but swung from a profit a year ago. An important thing to note is its growing top line – up from a bottom (W203.9bn) in 1Q23 and toward an estimated W285.1bn in 3Q and W344.3bn in 4Q. Its operating outlook is looking upbeat as well (estimated OP of W6.4bn in 3Q and W24.7bn in 4Q). As such, we lift our 4Q revenue and OP estimates.

Simmtech is poised to benefit from higher DRAM shipments in 3Q23 (likely up 15% qoq for Samsung Electronics and 12% for SK Hynix) and an accelerated shift to DDR5, which will boost both capacity utilization rates and product prices (mainly for both memory modules and packaging solutions like MCP and BOC) and ultimately fuel a profit turnaround and margin improvement in 4Q.

Its packaging business is on track to ship more multi-chip packaging (MCP) technologies for mobile applications as well in response to new smartphone launches by global giants in 2H23 and 1H24 and some replacement demand. Taking into account the coming semiconductor rebound (driven primarily by the PC and server demand) followed by smartphone demand growth, we see a clear upward trajectory for its top and bottom lines in 2024.

(Wbn, %)

	2Q22	1Q23	Previous estimate	Prelim. result	2Q23			3Q23		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	477	204	242	254	-46.9	24.4	241	285	-39.9	12.4
OP	115	-32	-24	-22	TTR	CL	-21	6	-94.5	TTB
NP	85	-22	-16	-18	TTR	CL	-17	5	-95.3	TTB

* TTB = turn to black; TTR = turn to red; CL = continued loss

Source: Simmtech, FnGuide, Daishin Securities Research Center

Operating results and major financial data

(Wbn, W, x, %)

	2021A	2022A	2023F	2024F	2025F
Revenue	1,366	1,697	1,087	1,417	1,584
OP	174	352	-23	142	165
Pretax profit	154	346	-21	155	174
NP	118	246	-17	113	127
NP (controlling int.)	117	246	-17	113	127
EPS	3,616	7,717	-537	3,537	3,975
PER	12.6	3.4	NA	9.7	8.7
BPS	11,703	19,166	18,130	21,168	24,644
PBR	3.9	1.4	1.9	1.6	1.4
ROE	35.1	49.7	-2.9	18.0	17.4

* EPS, BPS, and ROE based only on the controlling interest

Source: Simmtech, Daishin Securities Research Center

Annual earnings forecast revision

(Wbn, W, %, %p)

	Previous		Revised		Change	
	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	1,030	1,426	1,087	1,417	5.6	-0.6
SG&A expense	107	107	135	150	26.6	39.8
OP	-29	143	-23	142	CL	-0.7
OP margin	-2.8	10.0	-2.1	10.0	CL	0.0
Non-operating profit	12	11	1	13	-89.7	17.9
Pretax profit	-17	154	-21	155	CL	0.6
NP (controlling int.)	-14	113	-17	113	CL	0.1
NP margin	-1.4	7.9	-1.6	8.0	CL	0.1
EPS (controlling int.)	-442	3,533	-537	3,537	CL	0.1

* CL = continued loss

Source: Simmtech, Daishin Securities Research Center

Tab 1. Earnings projection by business (revised)

(Wbn, %)

	1Q22	2Q	3Q	4Q	1Q23	2Q	3QF	4QF	2022	2023F	2024F
Module PCB	88.2	103.5	102.5	67.0	51.1	53.7	60.8	72.1	361.2	237.8	298.2
PC	20.4	25.9	21.3	10.8	10.7	12.9	15.3	18.2	78.4	57.0	77.5
Server	45.0	51.4	53.4	40.3	27.8	24.1	26.5	31.3	190.1	109.7	127.3
SSD	22.6	25.8	27.4	15.8	12.6	16.6	19.0	22.6	91.6	70.8	92.9
Packaging	326.5	369.8	367.1	257.5	150.7	195.3	219.6	267.6	1,320.9	833.2	1,099.9
MCP	200.8	211.1	198.9	141.9	96.2	112.6	128.0	159.9	752.7	496.7	673.0
FC-CSP	57.6	77.4	74.9	30.6	20.2	22.1	24.2	30.3	173.0	96.8	121.3
SIP	13.0	26.1	28.4	16.3	6.1	12.3	13.7	17.3	83.8	49.5	70.2
BOC	22.7	27.7	33.9	31.9	9.3	14.2	16.6	17.4	116.2	57.5	67.4
GDDR6	43.3	51.9	57.6	34.9	18.1	33.5	36.3	41.9	187.8	129.8	164.9
Revenue	417.7	477.4	474.3	328.0	203.9	253.7	285.1	344.3	1,697.5	1,087.1	1,417.5
Revenue share											
Module PCB	21.1%	21.7%	21.6%	20.4%	25.1%	21.2%	21.3%	20.9%	21.3%	21.9%	21.0%
Packaging	78.2%	77.4%	77.4%	78.5%	73.9%	77.0%	77.0%	77.7%	77.8%	76.6%	77.6%
OP	84.8	114.7	116.6	32.6	-32.2	-21.6	6.4	24.7	352.4	-22.7	141.9
OP margin	20.3%	24.0%	24.6%	10.0%	-15.8%	-8.5%	2.2%	7.2%	20.8%	-2.1%	10.0%
Pretax profit	80.3	114.9	134.8	14.4	-28.4	-24.4	6.4	24.9	346.3	-21.5	155.1
Pretax margin	19.2%	24.1%	28.4%	4.4%	-13.9%	-9.6%	2.2%	7.2%	20.4%	-2.0%	10.9%
NP (contr. int.)	60.6	84.7	99.1	2.2	-22.1	-17.9	4.7	18.2	245.8	-17.1	113.2
NP margin	14.5%	17.7%	20.9%	0.7%	-10.8%	-7.0%	1.6%	5.3%	14.5%	-1.6%	8.0%

Source: Simmtech, Daishin Securities Research Center

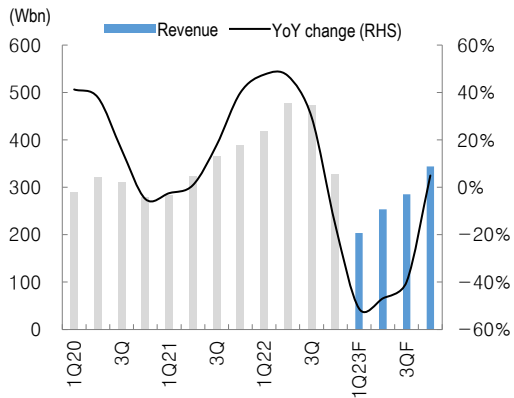
Tab 2. Earnings projection by business (previous)

(Wbn, %)

	1Q22	2Q	3Q	4Q	1Q23	2QF	3QF	4QF	2022	2023F	2024F
Module PCB	88.2	103.5	102.5	67.0	51.1	61.4	72.4	78.7	361.2	263.6	324.4
PC	20.4	25.9	21.3	10.8	10.7	12.3	15.4	16.0	78.4	54.3	68.1
Server	45.0	51.4	53.4	40.3	27.8	33.6	39.0	43.0	190.1	143.5	175.2
SSD	22.6	25.8	27.4	15.8	12.6	15.4	17.9	19.6	91.6	65.5	80.6
Packaging	326.5	369.8	367.1	257.5	150.7	178.4	207.7	220.2	1,320.9	757.0	1,091.8
MCP	200.8	211.1	198.9	141.9	96.2	110.3	132.5	139.0	752.7	478.0	589.1
FC-CSP	57.6	77.4	74.9	30.6	20.2	26.1	28.6	30.0	173.0	104.8	127.7
SiP	13.0	26.1	28.4	16.3	6.1	7.1	7.9	8.4	83.8	29.5	36.2
BOC	22.7	27.7	33.9	31.9	9.3	11.1	13.4	14.1	116.2	47.9	57.6
GDDR6	43.3	51.9	57.6	34.9	18.1	22.8	24.3	27.6	187.8	92.8	276.7
Revenue	417.7	477.4	474.3	328.0	203.9	242.1	282.4	301.2	1,697.5	1,029.7	1,425.9
Revenue share											
Module PCB	21.1%	21.7%	21.6%	20.4%	25.1%	25.4%	25.6%	26.1%	21.3%	25.6%	22.8%
Packaging	78.2%	77.4%	77.4%	78.5%	73.9%	73.7%	73.6%	73.1%	77.8%	73.5%	76.6%
OP	84.8	114.7	116.6	32.6	-32.2	-23.7	6.3	20.4	352.4	-29.2	143.0
OP margin	20.3%	24.0%	24.6%	10.0%	-15.8%	-9.8%	2.2%	6.8%	20.8%	-2.8%	10.0%
Pretax profit	80.3	114.9	134.8	14.4	-28.4	-21.8	9.2	23.6	346.3	-17.4	154.1
Pretax margin	19.2%	24.1%	28.4%	4.4%	-13.9%	-9.0%	3.3%	7.8%	20.4%	-1.7%	10.8%
NP (contr. int.)	60.6	84.7	99.1	2.2	-22.1	-15.9	6.7	17.2	245.8	-14.1	112.5
NP margin	14.5%	17.7%	20.9%	0.7%	-10.8%	-6.6%	2.4%	5.7%	14.5%	-1.4%	7.9%

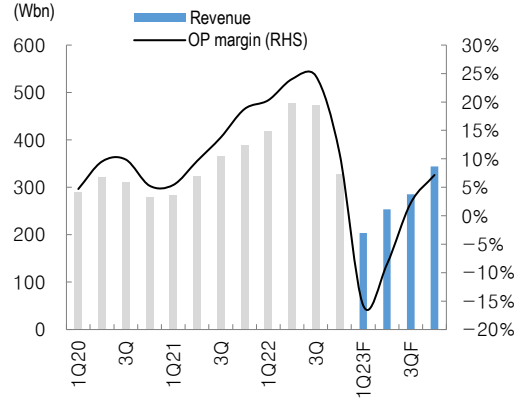
Source: Simmtech, Daishin Securities Research Center

Fig 1. Revenue



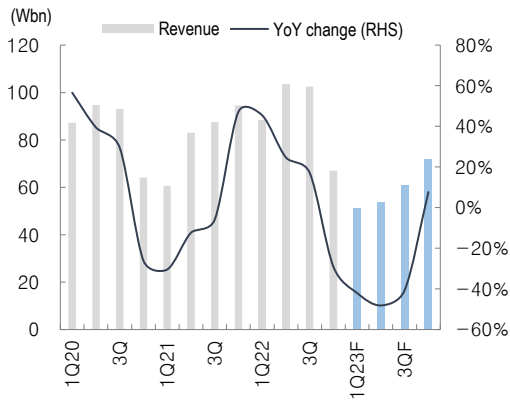
Source: Simmtech, Daishin Securities Research Center

Fig 2. OP margin



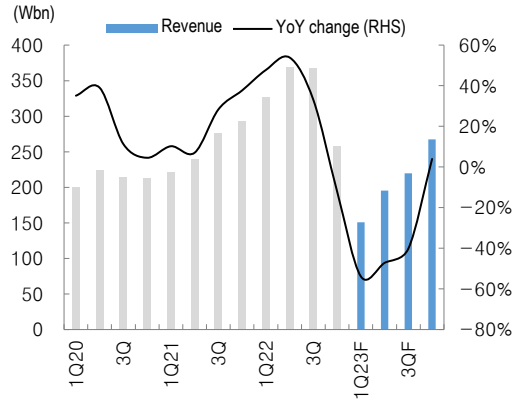
Source: Simmtech, Daishin Securities Research Center

Fig 3. Module PCB sales



Source: Simmtech, Daishin Securities Research Center

Fig 4. Packaging sales



Source: Simmtech, Daishin Securities Research Center

Financial statements

Income statement	(Wbn)				
	2021A	2022A	2023F	2024F	2025F
Revenue	1,366	1,697	1,087	1,417	1,584
Cost of goods sold	1,082	1,216	975	1,126	1,264
Gross profit	284	481	112	292	320
SG&A expenses	110	129	135	150	155
OP	174	352	-23	142	165
OP margin	12.8	20.8	-2.1	10.0	10.4
EBITDA	253	434	53	218	243
Non-OP	-20	-6	1	13	9
Income from affiliates	0	0	0	0	0
Financial revenue	34	69	58	58	58
FX related gains	0	0	0	0	0
Financial expense	-52	-75	-58	-58	-58
FX related losses	40	60	43	43	43
Others	-3	0	2	14	9
Income before taxes	154	346	-21	155	174
Income tax expense	-36	-100	4	-42	-47
Income from cont. op.	118	246	-17	113	127
Income from discount. op.	0	0	0	0	0
NP	118	246	-17	113	127
NP margin	8.7	14.5	-1.6	8.0	8.0
NP for non-contr. interest	1	0	0	1	1
NP for contr. interest	117	246	-17	113	127
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	1	0	0	0	0
Comprehensive income	126	247	-16	114	128
Comp. income for non-contr. int.	2	0	0	1	1
Comp. income for contr. int.	124	247	-16	114	128

Valuation metrics	(W, x, %)				
	2021A	2022A	2023F	2024F	2025F
EPS	3,616	7,717	-537	3,537	3,975
PER	12.6	3.4	NA	9.7	8.7
BPS	11,703	19,166	18,130	21,168	24,644
PBR	3.9	1.4	1.9	1.6	1.4
EBITDAPS	7,812	13,635	1,660	6,853	7,629
EV/EBITDA	6.3	1.8	21.3	5.0	4.2
SPS	42,144	53,288	34,126	44,499	49,730
PSR	1.1	0.5	1.0	0.8	0.7
CFPS	8,215	14,266	2,226	7,784	8,426
DPS	500	500	500	500	500

Financial ratios	(W, x, %)				
	2021A	2022A	2023F	2024F	2025F
Growth potential					
Revenue growth	13.7	24.3	-36.0	30.4	11.8
OP growth	94.2	102.1	TTR	TTB	16.4
NP growth	109.4	108.0	TTR	TTB	12.4
Profitability					
ROIC	21.3	36.8	-2.4	12.6	13.8
ROA	21.3	33.2	-1.9	11.4	12.2
ROE	35.1	49.7	-2.9	18.0	17.4
Stability					
Debt ratio	124.9	106.7	104.8	91.9	80.1
Net borrowings ratio	38.4	-13.0	5.0	0.3	-8.7
Interest coverage ratio	18.3	43.6	-2.7	17.5	21.2

* TTB = turn to black; TTR = turn to red

Source: Simmtech, Daishin Securities Research Center

Balance sheet	(Wbn)				
	2021A	2022A	2023F	2024F	2025F
Current assets	245	505	410	515	625
Cash & cash equiv.	17	120	6	27	93
Trade & other receive.	71	137	144	178	195
Inventories	144	145	155	202	226
Other current assets	13	103	105	107	110
Long-term assets	612	762	778	784	794
Tangible assets	501	587	602	608	617
Investments in affiliates	0	0	0	0	0
Other long-term assets	111	175	175	176	176
Total assets	857	1,266	1,187	1,298	1,418
Current liabilities	342	474	429	444	453
Payables & other liab.	191	307	259	271	277
Borrowings	21	19	19	20	20
Current portion of LT debts	8	7	7	6	5
Other current liabilities	123	141	144	147	151
Long-term liabilities	134	179	178	178	177
Borrowings	49	38	34	31	28
Convertible securities	0	0	0	0	0
Other long-term liab.	85	141	144	147	150
Total liabilities	476	654	608	622	631
Controlling interest	379	611	578	674	785
Capital stock	17	17	17	17	17
Capital surplus	110	110	110	110	110
Retained earnings	244	479	446	543	654
Other capital changes	7	4	4	4	4
Non-controlling interest	2	2	2	2	2
Total shareholders' equity	381	613	580	677	787
Net borrowings	147	-79	29	2	-68

Cash flow statement	(Wbn)				
	2021A	2022A	2023F	2024F	2025F
Operating cash flows	115	435	41	169	219
NP	118	246	-17	113	127
Non-cash items	148	208	88	135	141
Depreciation	79	82	76	76	78
FX gains	2	5	-5	-5	-5
Equity method gain	0	0	0	0	0
Others	67	121	18	64	68
Chg in assets & liab.	-122	36	-28	-31	3
Other cash flows	-30	-54	-2	-48	-53
Investing cash flow	-80	-269	-131	-121	-127
Investment assets	-32	-8	-1	-1	-1
Tangible assets	-44	-154	-91	-81	-87
Others	-5	-107	-39	-39	-39
Financing cash flows	-35	-63	-24	-24	-23
Short-term borrowings	-16	0	0	0	0
Bonds payable	45	-32	0	0	0
Long-term borrowings	21	-3	-4	-3	-3
Rights offering	-6	0	0	0	0
Cash dividends	-10	-16	-16	-16	-16
Others	-68	-12	-5	-5	-5
Net chg in cash	0	103	-114	22	66
Beginning cash balance	17	17	120	6	27
Ending cash balance	17	120	6	27	93
NOPLAT	134	250	-18	104	121
FCF	135	172	-38	94	107

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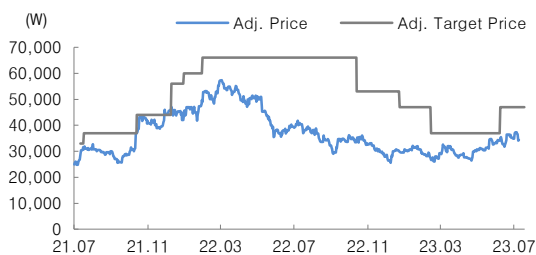
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Target price history & investment rating

Simmtech (222800 KQ)



Date	23.08.04	23.07.03	23.03.10	23.01.17	22.11.07	22.08.24
Rating	Buy	Buy	Buy	Buy	Buy	6M passed
Target price	47,000	47,000	37,000	47,000	53,000	66,000
Diff. (avg %)		(25.47)	(18.83)	(35.97)	(41.22)	(48.03)
Diff. (max/min, %)		(20.64)	(5.41)	(31.70)	(31.98)	(41.14)
Date	22.02.24	22.01.24	22.01.03	21.11.07	21.08.11	21.08.05
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	66,000	60,000	56,000	44,000	37,000	33,000
Diff. (avg %)	(30.05)	(23.79)	(20.33)	(5.68)	(20.02)	(6.41)
Diff. (max/min, %)	(13.03)	(17.08)	(16.70)	4.43	0.00	(4.24)
Date						
Rating						
Target price						
Diff. (avg %)						
Diff. (max/min, %)						
Date						
Rating						
Target price						
Diff. (avg %)						
Diff. (max/min, %)						

Investment rating (Aug 8, 2023)

	Buy	Marketperform	Underperform
Ratio	92.9%	7.1%	0.0%

Sector ratings

- Overweight rating denotes industry indicators are expected to outperform the market over the next six months.
- Neutral rating denotes industry indicators are expected to be in line with the market over the next six months.
- Underweight rating denotes industry indicators are expected to underperform the market over the next six months.

Company ratings

- Buy rating denotes the stock is expected to outperform the market by at least 10%p over the next six months.
- Marketperform rating denotes the stock is expected to either outperform or underperform the market by less than 10%p over the next six months.
- Underperform rating denotes the stock is expected to underperform the market by at least 10%p over the next six months.