

SK COMPANY Analysis



Analyst

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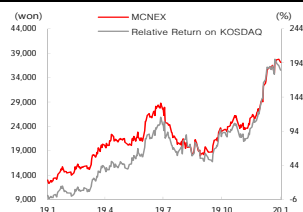
Company Data

capital	9 billion won
Shares issued	1,775 thousand shares
Treasury stock	
Face value	500 won
Market cap	663 billion won
Major shareholder	
Min Dong-wook (3)	27.55%
Foreign ownership ratio	26.20%
Dividend Yield	0.80%

Stock Data

Stock Price (20/01/03)	37,100won
KOSDAQ	674.02 pt
52 Week Beta	0.83
52 week high	37,750won
52 week low	12,300won
60 Day Avg	19 billion

Stock Price and Relative Return



Stock price	absolute stock price	Relative stock price
1months	28.2%	20.6%
6months	35.2%	39.6%
12months	185.4%	183.4%

MCNEX (097520/KQ | Not Rated)

A plant that never stops

- Samsung Electronics' major partner in charge of supplying camera modules and actuators for Samsung Electronics.
- Dual and triple cameras led the camera industry growth in 2019, in 2020 triple and quads will be the trend. Q continued to grow.
- A number of materials that will lead to improvements in 2020 performance, including increased share within our customers, possible rear-entry into flagships, ToF, and optical FoD.

Small and medium representative camera module maker

The company is a major supplier of Samsung Electronics' mobile camera modules and actuators.

In addition to manufacturing fingerprint recognition module for mobile, camera module for vehicle.

Percentage of sales as of 2018 consists of 83% of Smartphones, 17% of Automotive electronics and others.

Tight utilization rate in 2020

If dual and triple cameras led the camera industry's growth in 2019, triple and quad are expected to become mainstream in 2020.

The penetration rate of dual cameras in Samsung is stagnant, while triple and quad should rise significantly to 29% and 15%, respectively.

Accordingly, Samsung's camera module shipment growth continued from 8.9 billion in 2019 to 11.1 billion in 2020.

Positive drop effect across the camera module industry. Among them, the company is most likely to expand its market share among clients with among them, the company will benefit most from expanding its market share within its customers.

Additional production capacity is also secured through the expansion of the fourth plant in Vietnam.

Flagship Backward Entry also detect the possibility.

In addition, many 2020 earnings contribution momentum including ToF, optical FoD, and Automotive electronics

Favorable change in customer strategy

Samsung Electronics is trying to streamline its lineup and strengthen its market position centered on the A Series.

Spec-up parts are also applied to A series as well as the S series Samsung Electronics launched in 2020

Samsung Electronics' smartphone shipments are expected to increase by 20 million units in 2020 as the company expects to benefit from the Huawei sanctions. Improved internal and external environment.

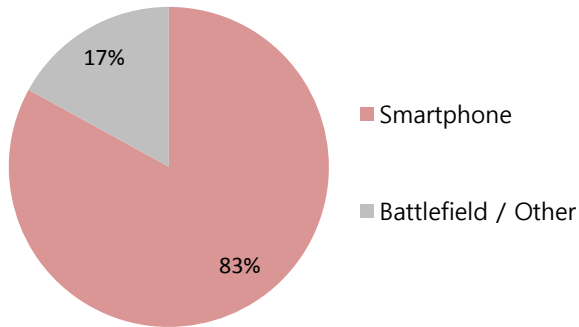
Compared to 2013, the profit level is higher while the stock price is still undervalued phase.

2020E Consensus PER 7.4x. We believe there is ample room for further gains in stock prices

Business performance and investment index

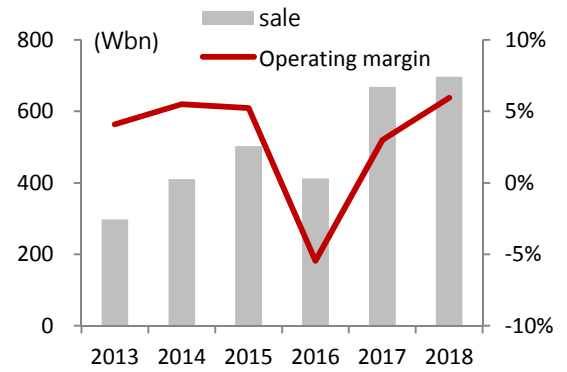
division	unit	2013	2014	2015	2016	2017	2018
sales	1 billion won	297	410	503	412	668	697
yoy	%	74.5	38.1	22.5	-18.0	62.1	4.3
Operating profit	1 billion won	12	23	26	-24	20	41
yoy	%	95.3	86.4	16.4	loss conversion	profit conversion	109.1
EBITDA	1 billion won	18	36	43	-6	44	81
Pre-tax profit	1 billion won	9	19	23	-26	-1	43
Net profit	1 billion won	8	14	16	-25	-1	30
Operating margin%	%	4.1	5.5	5.2	-5.8	2.9	5.9
EBITDA%	%	6.2	8.7	8.6	-1.4	6.6	11.7
Net margin%	%	2.7	3.3	3.2	-6.0	-0.1	4.3
EPS	won	599	1,011	1,198	-1,830	-66	1,731
PER	times	9.2	5.9	17.3	N/A	N/A	7.5
PBR	times	1.2	1.0	2.9	2.5	2.3	1.7
EV/EBITDA	times	7.6	5.2	7.8	N/A	5.9	2.7
ROE	%	13.6	19.5	19.2	-32.0	-1.1	26.2
Net debt	1 billion won	66	104	59	110	76	33
Debt Ratio	%	237.4	275.5	199.5	363.3	295.6	201.5

Share of sales by division



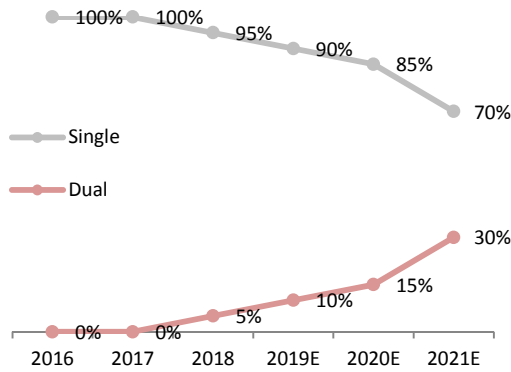
Source: MCNEX, SK Securities

Annual performance trend



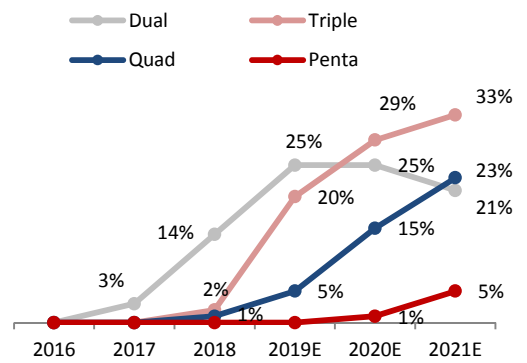
Source: MCNEX, SK Securities

Share of Samsung Electronics' Front Camera Type



Source: SK Securities

Share of Samsung Electronics' rear camera type



Source: SK Securities

Comparison of Korean Camera Module Manufacturers' 2013 vs 2020 Profit Size and Valuation

(Fold, billion won)		2013	2014	2015	2016	2017	2018	2019E	2020E
Patron	PER	7.3	13.2	13.4	25.7	618.3	47.7	9.9	9.1
	Operating profit	135	66	59	38	11	31	117	118
MCNEX	PER	9.2	5.9	17.3			7.5	8.5	7.4
	Operating profit	12	23	26	(22)	20	41	109	122
Camsis	PER	9.1	22.6	183.6			9.6	8.2	4.5
	Operating profit	26	19	8	(18)	14	17	34	58
Powerlogics	PER	32.0	20.9	28.0	18.8	19.4	9.1	6.2	5.8
	Operating profit	2	12	9	13	19	26	59	68
namuga	PER			19.8			16.1		6.2
	Operating profit	5	2	26	(1)	(31)	1	5	31
Optrontech	PER	14.0		60.2	22.9	31.5	28.2	11.9	9.2
	Operating profit	28	(28)	9	17	17	13	24	28
Seconix	PER	8.6	9.1	18.6	18.0			7.4	7.0
	Operating profit	26	18	13	14	2	8	17	20
actro	PER						4.1	12.5	8.3
	Operating profit						17	15	23

Source: Companies, Fnguide, SK Securities

MCNEX Business Area and Application



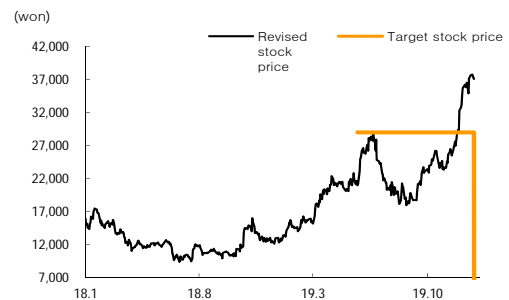
Source: MCNEX

MCNEX Major Customers



Source: MCNEX

Date	Investment opinion	Target stock price	Target price Target point	Dissociation rate	
				Average stock price comparison	Highest lowest Stock price comparison
2020.01.06	Not Rated				
2019.05.30	buying	29,000 won	6 months	-14.57%	30.17%
2019.02.28	Not Rated				



Compliance Notice

- The author (Lee Dong-jo) confirms that the contents of this survey analysis accurately reflects his / her opinions and is prepared in good faith without any unreasonable pressure or interference from outside.
- For the items mentioned in this report, our investigative analyst does not have any of my own.
- This report has not been provided to institutional investors or third parties in advance.
- This company currently have no special interests in these companies.
- Our opinion on the stock is as follows.
- Investment judgment phase 3 (6 months) More than 15% → Buy / -15% ~ 15% → Neutral / Less than -15% → Sell

Investment grade rating of SK Securities Universe (as of January 6, 2020)

buying	84.89%	neutrality	15.11%	Sell	0%
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Statement of financial position

Monthly Settlement (Wbn)	2014	2015	2016	2017	2018
Current Asset	174	148	158	224	219
Cash and cash equivalents	19	38	42	62	65
Trade and other receivables	89	59	58	63	89
Inventory	62	47	54	57	54
Non-current assets	115	125	137	164	172
Long-term financial assets	0	1	1	1	2
Tangible Assets	104	117	128	152	161
Intangible Assets	5	6	5	4	4
Total assets	289	273	295	388	391
Current liabilities	182	170	224	286	257
Short-term financial liabilities	99	90	148	176	107
Trade and Other Payables	75	71	73	106	135
Short-term provisions	0	1	1	3	3
Non-current liabilities	30	11	7	4	4
Long-term financial liabilities	27	10	6	3	
Long-term Trade Payables and Other Payables					
Long-term provisions					
Total debt	212	182	231	290	261
Controlling interest	77	91	64	98	130
capital	3	5	5	6	9
Capital Surplus	25	25	25	58	41
Other Capital Components	-1	-4	-4	-4	-3
Treasury stock	-1	-4	-4		-3
Retained Earnings	50	65	37	37	86
Non-controlling shareholders					
Total capital	77	91	64	98	130
Total Debt and Capital	289	273	295	388	391

Cash flow statement

Monthly Settlement (Wbn)	2014	2015	2016	2017	2018
Operating Cash Flow	4	77	-13	67	94
Net Income (Loss)	14	16	-25	-1	30
Non-cash item	24	33	21	47	64
Depreciation of tangible assets	12	16	17	24	40
Amortization expense on intangible assets	1	1	1	1	1
other	11	16	3	23	23
Decrease in working capital	-32	35	-4	22	2
Reduction (increase) in trade receivables and other	-27	28	6	-16	-29
Inventory reduction (increase)	-12	16	-7	-7	3
Increase (decrease) in trade and other payables	13	-11	10	33	22
other	-60	58	0	-20	-52
Corporate tax payment	-1	-7	-6	-2	-1
Investing Cash Flow	-37	-21	-28	-101	-15
Decrease in financial assets (increase)	-4	4	0	-39	31
Decrease in tangible assets (increase)	-34	-27	-28	-60	-46
Intangible Asset Reduction (Increase)	-1	-2	-1	-1	-1
other	1	3		1	0
Cash flows from financing activities	35	-37	45	57	-75
Short-term financial debt increase (decrease)	30	-27	52	-21	-51
Long-term financial debt increase (decrease)	10	-3		47	-10
Increase (decrease) of capital		3		39	
Payment of dividends	1	2	3		3
other					
Increase (decrease) in cash	1	19	4	20	4
Basic Cash	19	19	38	42	62
Ending Cash	19	38	42	62	65
FCF	-37	50	-44	17	35

Source: MCNEX, SK Securities

Comprehensive Income Statement

Monthly Settlement (Wbn)	2014	2015	2016	2017	2018
sales	410	503	412	668	697
COGS	357	436	395	605	610
Gross profit	53	67	17	63	87
Gross margin (%)	13.0	13.2	4.2	9.5	12.5
Selling and administrative expenses	31	40	41	44	46
Operating profit	23	26	-24	20	41
Operating margin (%)	5.5	5.2	-5.8	2.9	5.9
Non-operating income	-4	-3	-2	-21	2
B Yh Zjb UbVJU Vg ch	4	4	4	7	7
: cf[b YVMb[YFYUX drc ZHbX'cgg	3	1	3	-10	6
FYUYX drc Zgjb Yga Ydtgjb Upp Vhg					
Ögk ShafF alb X	19	23	-26	-1	43
Drc ZHUJ] JmVYZ:fy IU fil t	4.6	4.6	-6.2	-0.2	6.1
ShafF gk	5	7	-1	0	13
cbagahWUhfafF oblyg	14	16	-25	-1	30
7YUbagahWShafF alb X					
*cbabg gk XWUg					
AXgalb X	14	16	-25	-1	30
B Yha Uf j b fil t	3.3	3.2	-6.0	-0.1	4.3
7cbhfc "]b['g UFY'c XYf	14	16	-25	-1	30
B Yh drc Zha Uf j b c Z Wb hfc "]b['g UFY'c XYfg	3.32	3.21	-5.99	-0.13	4.28
Non-controlling shareholder					
Total comprehensive profit	14	17	-25	-5	27
Controlling shareholder	14	17	-25	-5	27
Non-controlling shareholder					
EBITDA	36	43	-6	44	81

Major Investment Indicators

Monthly Settlement (Wbn)	2014	2015	2016	2017	2018
Growth (%)					
Sales	38.1	22.5	-18.0	62.1	4.3
Operating profit	86.4	16.4			109.1
Pretax Business Income	100.4	22.0			
EBITDA	93.9	21.4			84.0
EPS (Continued Business)	68.8	18.5			
Profitability (%)					
ROE	19.5	19.2	-32.0	-1.1	26.2
ROA	5.4	5.8	-8.7	-0.3	7.7
EBITDAMargin	8.7	8.6	-1.4	6.6	11.7
stability (%)					
Current ratio	95.8	86.8	70.5	78.2	85.0
Debt Ratio	275.5	199.5	363.3	295.6	201.5
Net Debt /EquityCapital	135.4	64.6	172.3	77.8	25.7
EBITDA / interest expense	7.8	10.0	-1.4	6.4	11.1
Weekly Index					
EPS (Continued Business)	1,011	1,198	-1,830	-66	1,731
BPS	5,778	7,075	5,045	5,920	7,704
CFPS	1,980	2,458	-495	1,752	4,074
Cash dividend per share	300	330		260	300
Valuation indicators					
PER (highest)	6.6	22.9	N/A	N/A	10.1
PER (lowest)	4.8	5.0	N/A	N/A	5.4
PBR (highest)	1.2	3.9	4.4	2.9	2.3
PBR (lowest)	0.8	0.8	1.7	1.9	1.2
PCR	3.0	8.4	-25.4	7.9	3.2
EV/EBITDA(highest)	5.5	9.9	-70.3	7.0	3.4
EV/EBITDA(lowest)	4.8	3.3	-38.4	5.2	2.0