

Wonik Materials (104830)

Potential beneficiary of NAND and AMOLED capex

12M rating **NM**

12M TP **NA**

Up/downside **NM**

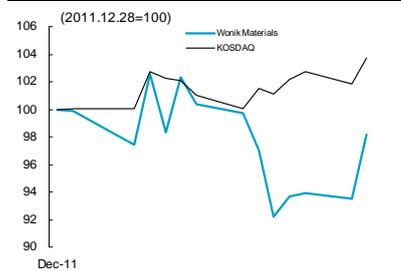
Stock Data

KOSPI (Jan 18, pt)	1,892
Stock price (Jan 18, KRW)	37,350
Market cap (USD mn)	189
Shares outstanding (mn)	6
52-Week high/low (KRW)	39,500/35,500
6M avg. daily turnover (USD mn)	8.2
Free float / Foreign ownership (%)	50.3/4.1
Major shareholders (%)	
WONIK IPS CO., LTD.	49.7
STIC Investment Inc and 1 others	8.6

Performance

	1M	6M	12M
Absolute (%)	NA	NA	NA
Relative to KOSPI (%p)	NA	NA	NA

12MF PER trend



Source: WISEFn consensus

Specialty gas supplier for semiconductor & display makers

Wonik Materials (Wimco) is one of the leading specialty gas suppliers for major chip and panel makers in Korea, offering approximately 100 different gas products for front-end manufacturing processes, e.g. CVD and diffusion. After being established in Dec 2006 (the company listed in Dec 2011), Wimco has posted stable growth on: 1) the gradual localization of specialty gas products, 2) increased orders as major customers expand capacity, and 3) tech migration at memory lines. Wimco expects strong NAND and AMOLED capex spending in 2012F to trigger further growth this year. Meanwhile, the company will likely report 2011F sales of W90bn (+35% YoY), OP of W20bn (+33% YoY, OPM 22%), and better results in 2012F (W115bn sales, +28% YoY, W24bn OP +20% YoY).

Stable profitability via high entry barriers and diversified product mix

Wimco's coverage of gas products includes cleaning, etching, CVD, diffusion and implantation processes for chips and displays. These gas products are critical in determining the level of yield and quality, a major reason the industry has high entry barriers and low interchangeability, which results in stable profitability. Of the near 100 products, sales are mostly catalyzed by GeH4 (used for CVD processes in DRAM lines, with Wimco holding exclusive distribution rights in Korea), NO (used for annealing processes in NAND lines) and NH3 (used for CVD/diffusion process). The company is currently the first vendor for its products for Samsung Electronics and Samsung Mobile Display (SMD).

Higher NAND and AMOLED capex to drive 2012F earnings growth

Management expects tech migration, NAND capacity expansion and higher AMOLED capex to drive 2012F sales growth. Wimco is the exclusive supplier of multiple gas products for SMD's AMOLED lines, which should contribute to strong AMOLED-related sales growth and improve customer diversification (SMD sales to account for 17% of 2012F sales vs. 10% in 2011F, according to company estimates). The company also plans to localize production of GeH4, the largest revenue driver but currently imported, which should help improve long-term profitability.

Valuation: 11.4x 2012F PER

Shares currently trade at 11x 2012F PER, with no direct competitor in the domestic market. Major competitors are Air Products (US) and Kanto Denka (Japan), which trade at 15.1x and 17.3x FY12F PERs, respectively.

Youngwoo Chung
822-3276-6186
youngwoo.chung@truefriend.com

Won Seo
822-3276-6162
wonseo@truefriend.com

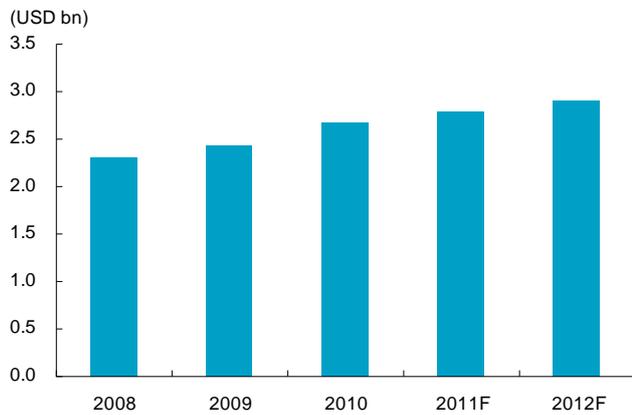
Yr to	Sales	OP	EBT	NP	EPS	% chg	EBITDA	P/E	EV/EBITDA	P/B	ROE
Dec	(W bn)	(W bn)	(W bn)	(W bn)	(won)	(YoY)	(W bn)	(x)	(x)	(x)	(%)
2006A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008A	47	10	6	5	1,117	624.9	12	0.0	0.5	0.0	20.0
2009A	59	12	13	10	2,521	125.7	14	0.0	-0.1	0.0	33.2
2010A	67	15	14	11	2,758	9.4	18	0.0	-0.2	0.0	26.5

[Figure 1] Financial summary

(W bn)	2007	2008	2009	2010	2011F	2012F
Revenue	34.2	47.2	59.5	66.6	90.0	115.0
YoY	1795%	38%	26%	12%	35%	28%
OP	7.9	9.9	12.0	15.1	20.0	24.0
OP margin	23%	21%	20%	23%	22%	21%
Pretax income	7.7	5.6	13.0	14.4		
Pretax margin	23%	12%	22%	22%		
Net income	6.2	4.6	10.4	11.4	16.3	19.0
Net margin	18%	10%	18%	17%	18%	17%
Total assets	36.2	41.9	52.6	71.7		
Total cash & cash equiv.	5.6	5.3	9.2	11.9	55.0	
Total debts	8.7	10.6	7.7	7.7	4.5	
Net debts	3.2	5.3	(1.6)	(4.2)	(50.5)	
Total equity	20.3	25.9	36.8	49.2		
Net debt to equity	0.2	0.2	(0.0)	(0.1)		
Total operating cash flow	11.0	4.5	11.9	15.3		
CAPEX	3.4	3.1	4.9	12.2	20.0	35.0
Free cash flow	7.7	1.4	6.9	3.2		

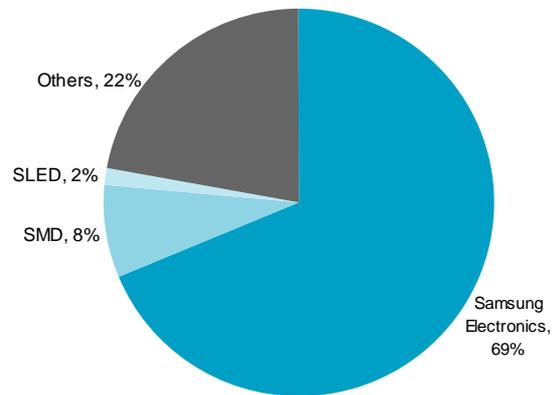
Source: Company data, company guidance, KIS Research

[Figure 2] Semiconductor specialty gas market forecast



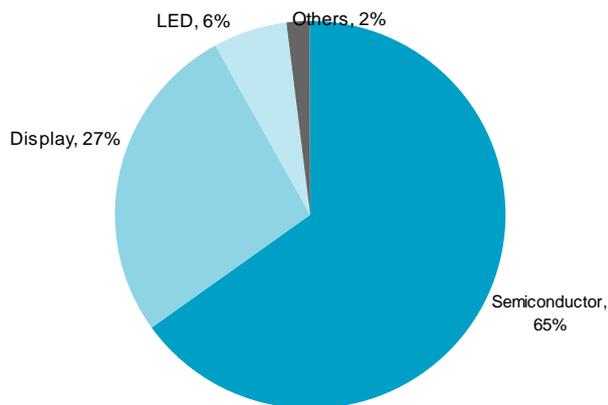
Source: Company data

[Figure 3] Customer breakdown (3Q11YTD)



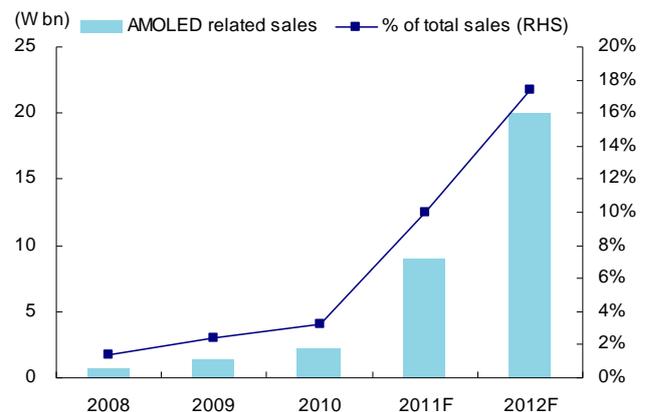
Source: Company data

[Figure 4] Revenue breakdown by application (2012F)



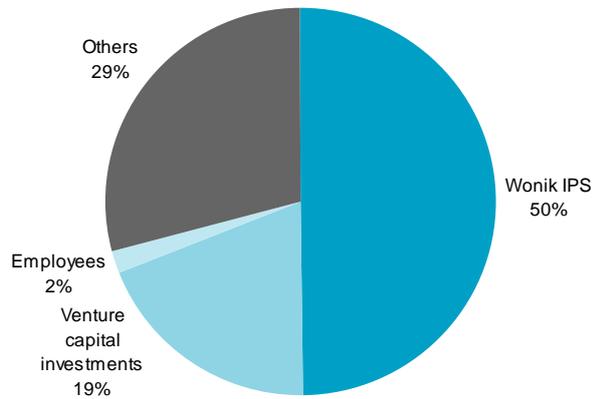
Source: Company data

[Figure 5] SMD sales to trend upwards



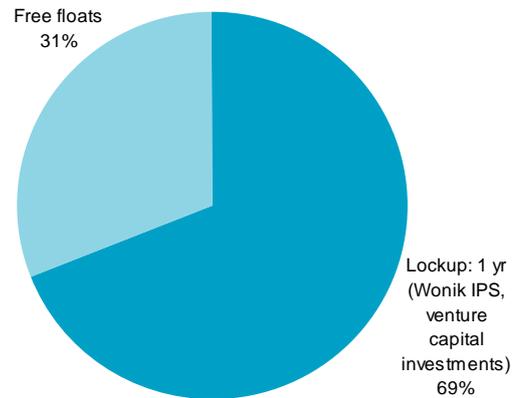
Source: Company data

[Figure 6] Shareholder breakdown



Source: Company data

[Figure 7] 69% of shares are locked up until Dec 2012



Source: Company data

[Figure 8] Peer valuation

(USD mn)	Market Cap	PER		PBR		Revenue		OP margin		Net margin		EPS growth	
		FY11F	FY12F	FY11F	FY12F	FY11F	FY12F	FY11F	FY12F	FY11F	FY12F	FY11F	FY12F
Competitors		40.0	16.2	2.0	1.9								
Air Products	19,034	15.8	15.1	3.1	2.9	10,090	10,521	17%	17%	12%	12%	-58%	4%
Kanto Denka	211	64.2	17.3	0.9	0.8	485	516	3%	6%	1%	2%	-87%	274%

Source: Bloomberg consensus estimates, KIS Research

Balance sheet

FY-ending Dec. (W bn)	2006A	2007A	2008A	2009A	2010A
Current assets	9	12	16	23	30
Cash & cash equivalent	3	5	5	4	9
Accounts & other receivables	3	3	4	6	7
Inventory	3	4	6	7	10
Non-current assets	20	24	26	29	42
Investment assets	0	1	1	0	0
Tangible assets	20	22	23	25	40
Intangible assets	0	0	0	0	0
Total assets	29	36	42	53	72
Current liabilities	9	11	12	14	18
Accounts & other payables	3	6	4	6	8
ST debt & bond	3	3	4	4	4
Current portion of LT debt	4	1	2	2	3
Non-current liabilities	6	5	4	2	5
Debentures	0	0	0	0	0
LT debt & financial liabilities	6	5	4	2	0
Total liabilities	15	16	16	16	22
Paid-in capital	2	2	2	2	2
Capital surplus	12	12	13	13	13
Capital adjustments	0	0	0	1	2
Retained earnings	0	6	11	21	33
Shareholders' Equity	14	20	26	37	49

Income statement

FY-ending Dec. (W bn)	2006A	2007A	2008A	2009A	2010A
Sales	2	34	47	59	67
Gross profit	0	12	17	19	24
SG&A expense	1	4	7	7	9
Other operating gains	0	0	0	0	0
Operating profit	0	8	10	12	15
Financial income	0	0	0	0	0
Interest income	0	0	0	0	0
Financial expense	0	0	0	0	1
Interest expense	0	0	0	0	1
Other non-operating profit	0	0	-4	1	-1
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	0	8	6	13	14
Income taxes	0	2	1	3	3
Net profit	0	6	5	10	11
Other comprehensive profit	0	0	0	0	0
Total comprehensive profit	0	6	5	10	11
EBITDA	0	9	12	14	18

Cash flow

FY-ending Dec. (W bn)	2006A	2007A	2008A	2009A	2010A
C/F from operating	1	11	5	12	15
Net profit	0	6	5	10	11
Depreciation	0	1	2	2	3
Amortization	0	0	0	0	0
Net incr. in W/C	1	3	-7	-1	-2
Others	0	1	5	1	3
C/F from investing	-1	-6	-3	-11	-9
CAPEX	-1	-3	-3	-5	-12
Decr. in fixed assets	0	0	0	0	0
Incr. in investment	0	-2	1	-4	2
Net incr. in intangible assets	0	0	0	0	0
Others	0	-1	-1	-1	1
C/F from financing	0	-4	-1	-2	-2
Incr. in equity	0	0	0	0	0
Incr. in debts	0	-4	-1	-2	-2
Dividends	0	0	0	0	0
Others	0	0	0	0	0
C/F from others	0	0	0	0	0
Increase in cash	0	1	1	-1	5

Note: Based on K-IFRS (non-consolidated)

Key financial data

FY-ending Dec.	2006A	2007A	2008A	2009A	2010A
per share data (KRW)					
EPS	1	154	1,117	2,521	2,758
BPS	3,491	5,063	6,272	8,894	11,901
DPS	0	0	0	0	0
Growth (%)					
Sales growth	NM	1,795.1	37.9	26.1	12.0
OP growth	NM	NM	24.2	21.9	25.3
NP growth	NM	10,430.7	-25.1	125.8	9.4
EPS growth	NM	10,453.4	624.9	125.7	9.4
EBITDA growth	NM	30,405.9	25.8	22.5	25.7
Profitability (%)					
OP margin	-4.5	23.2	20.9	20.2	22.6
NP margin	3.2	18.0	9.8	17.5	17.1
EBITDA margin	1.7	27.3	24.9	24.2	27.1
ROA	0.2	18.9	11.8	22.1	18.3
ROE	0.4	36.0	20.0	33.2	26.5
Dividend yield	NM	NM	NM	NM	NM
Stability					
Net debt (W bn)	8	3	5	-2	-4
Debt/equity ratio (%)	86	43	41	21	16
Valuation (X)					
PER	NA	NA	NA	NA	NA
PBR	NA	NA	NA	NA	NA
PSR	NA	NA	NA	NA	NA
EV/EBITDA	NA	NA	NA	NA	NA

