LEADING

Mid-Cap Research

SFA (056190 KQ)

AMOLED Evolution

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Leading Traffic Light: Green

SFA is…

- ✓ Leading producer of Factory Automation system
- ✓ Expanding its business parameter to AMOLED Factory Automation (FA) system
- ✓ Entering the AMOLED core equipment market

Green light because:

- ✓ Beneficiary of increased demand for AMOLED TV and tablet PCs starting 2012
- ✓ Strong earnings momentum powered by AMOLED factory automation system orders

Growth potential:

- ➢ Major investment in AMOLED expected in 2012
- ➢ Product diversification through developing front end equipment
- ➢ Increasing revenue from exports

Management & shareholder concern

- ➢ Maintained 30% dividend payout ratio during the past 10 years
- ➢ Maintained net cash position for more than a decade

Strong value creation

- ➢ ROE to remain high over 25% from 2011E to 2013F
- ➢ Creating value with circa 70% EVA starting 2011E

Valuation:

- ➢ 15% PER premium to the year high PER of display industry is warranted given growth potential in 2012 and 2013
- ➢ Target price of W73,200 per share implies 22.2% share price appreciation potential

CAVEAT EMPTOR!!! – Watch out for…

- ➢ Possible volatility in quarterly revenue given that order volume is not consistent

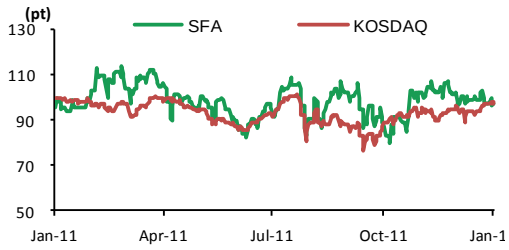
BUY

Target Price (KRW)	**W73,200**
Current Price (KRW)	**W59,900**
Upside potential	**22.2%**

Key Data	**Jan 13, 2012**
Sector	Display
Kosdaq	523.13
Market Cap.(Wbn)	1,075.5
Share Outstanding(m)	18.0
Foreign Ownership (%)	9.5%
52 Week High (W)	70,200
52 Week Low (W)	49,250
60-avg.turnover (Wbn)	9.1
Major Shareholders	**(%)**
DY Asset at el	46.80
Korea Invest Management at el	11.71

Performance (%)	**1M**	**6M**	**12M**
Absolute	0.7	7.0	(2.4)
Relative	(2.2)	3.8	(0.4)

Relative Performance



Valuation Forecast

FY	Sales (Wbn)	% chg yoy	OP (Wbn)	OPM (%)	NP (Wbn)	EPS (W)	EPS Growth (%)	PER (x)	EV/EBITDA (x)	ROE (%)	P/B (x)
2008	433.9	40.4	53.8	12.4	49.8	5,465	18.4	13.4	11.4	23.4	3.0
2009	312.4	(28.0)	15.3	4.9	18.0	1,979	(63.8)	36.9	32.9	8.0	2.9
2010	431.3	38.1	37.5	8.7	39.4	2,192	10.8	33.3	30.8	16.0	3.7
2011E	741.3	71.9	89.0	12.0	78.7	4,386	100.1	16.6	13.8	26.7	4.0
2012E	866.7	16.9	105.7	12.2	95.9	5,343	21.8	13.7	11.6	26.5	3.3
2013E	1,113.1	28.4	145.8	13.1	128.9	7,177	34.3	10.2	8.6	28.8	2.6

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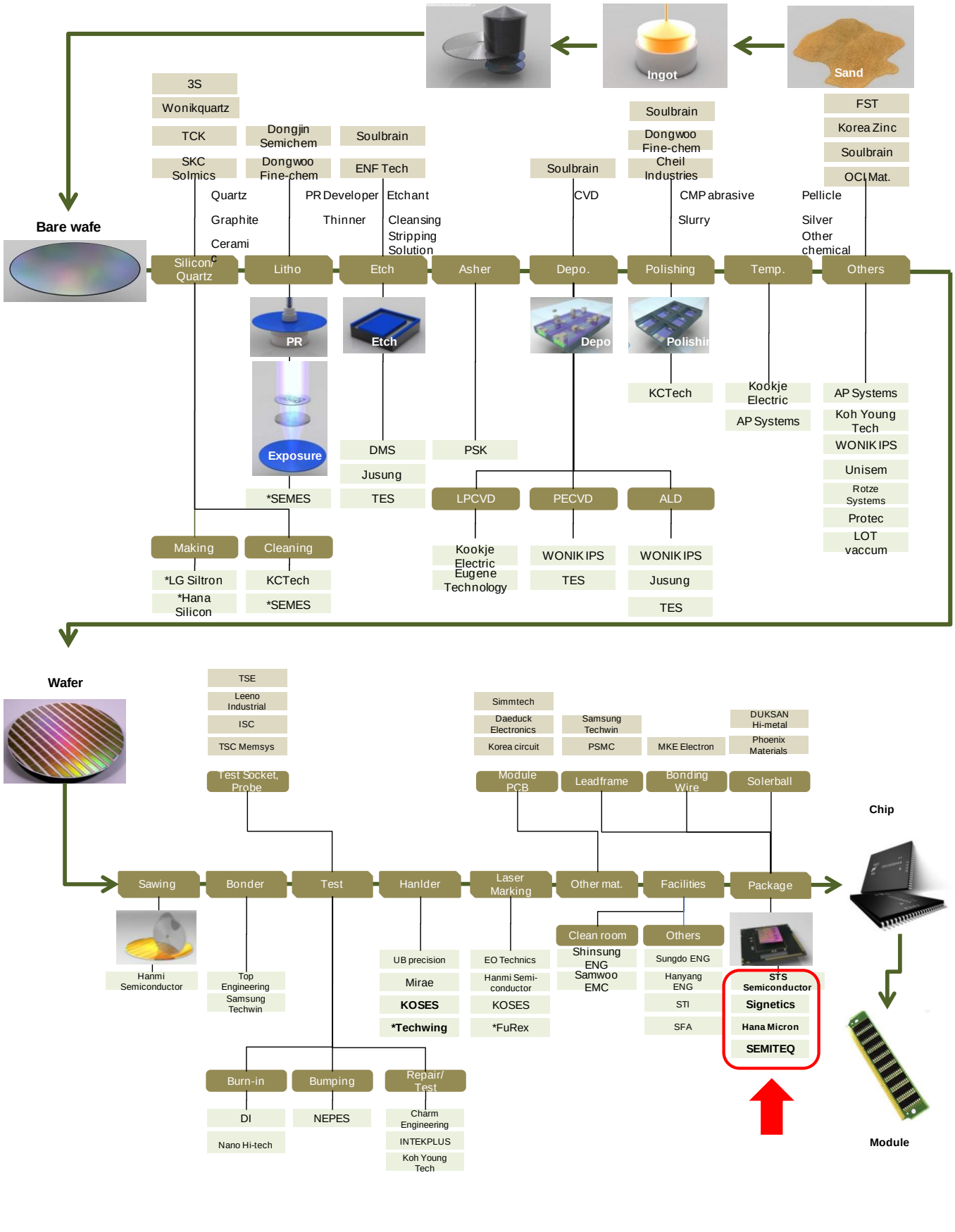
Semiconductor supply chain series: #2 - SFA

- **Transformed into a total equipment maker (clean logistics system, LCD, AMOLED, and semiconductor) from a company concentrating on simple factory automation**

- **Developing front end equipment for AMOLED with its strategic partner Samsung Electronics (SEC), increasing the revenue generated from front end equipment**

- **Large-scale AMOLED investments (W7.0 trillion) by Samsung Mobile Display (SMD) are expected to benefit SFA**

Exhibit 1. Semiconductor Supply chain



Source: Leading Research Center

Key check points

✓ Achieved growth through Factory Automation (FA) System

SFA traditionally has been Factory Automation system producer. But it is now expanding the business into FA for AMOLED by utilizing technology accumulated over the past decade. The company successfully developed a technology to minimize the amount of fine dust, which is crucial in LCD and PDP FA production. The technology helped SFA to become the leader in the FA systems used in LCD production line. In addition, Samsung Electronics (SEC) became the company′s strategic partner in 1Q10 by purchasing a 10.1% stake in SFA. Considering its reputation the company has earned over the past ten years and SEC′s investment, we believe SFA has a solid ground for strong future growth (Page 14.).

✓ Increased orders for AMOLED provide a new growth engine to SFA

SFA entered AMOLED FA system industry in 2010 utilizing its technology from FA for LCD production. As Samsung Mobile Display (SMD) invested W2.0tr in AMOLED in 2010 to meet increased demand for displays for mobile devices (galaxy series), SFA was able to secure new orders of W743.1bn. Given the fact that rapid growth of tablet PC market and mass production of AMOLED TV are expected in 2012F, SMD will further invest W7.0tr in AMOLED. We believe SFA will be a prime beneficiary of such major investments and its earnings momentum will remain strong in 2012F and 2013F (Page 17).

✓ Development of vacuum equipment and encapsulator for mass production of large OLED TVs

SFA's business parameter is expected to expand from FA system to front-end equipment production. The company has successfully entered LCD front-end equipment market after supplying two pieces of vacuum equipment. Furthermore, given the fact that the company is co-developing encapsulator with its strategic partner SMD, SFA is expected to secure new orders for core front-end equipment. If SMD speeds up 8G line expansion to mass produce OLED TVs in 2012F, the company is likely to be the prime beneficiary. In addition, the company has already successfully prepared a solid product line for flexible AMOLED equipments, which could be modified to satisfy fast changing requirements of major customers (Page 18).

✓ High ROE and net cash position

As high revenue growth of 71.9% and NPM exceeding 10% are expected in 2011E, the company is expected generate free cashflow of W215.8 during 2011E to 2013F period. Furthermore, powered by the company's debt-free policy, net cash of W183.7bn was recorded in 2010. SFA is expected to have net cash position of W259.4bn in 2011E which accounts for 25% of the company's market capital. ROE is expected to remain high at over 25% starting 2011E and create value for shareholders. High dividend payout ratio of 30% has been maintained and is expected to continue well into the future. As a result, we expect dividend of W1,200/sh in 2012F (yield of 2.0%) and W1,800/sh in 2013 (yield of 3.0%) (Page 9).

✓ Target price of W73,200 per shares implies 50% share price appreciation potential

The company's capex for new FA system and front end equipment are mainly for AMOLED, which is expected to be the core product for display industry in the near future. As a result, SFA should be a prime beneficiary of AMOLED in 2102F and 2013F while other firms that are not prepared for the changing trend may suffer from lower sales. Therefore, we apply 50% premium to the display industry year high PER of 11.9X (2012F) which renders 13.7X. Using the 2012F EPS of W5,343 and PER of 13.7X, we derive a fair share price of W59,900 implying 22.2% upside potential.

Section 1: Company Snapshot

No.1 Korean semiconductor/display equipment maker

Growth based on Factory automation

After spinning off from Samsung Techwin's automation division in 1998, SFA was listed on Kosdaq in December, 2001. Its core business includes display equipment production and factory automation system.

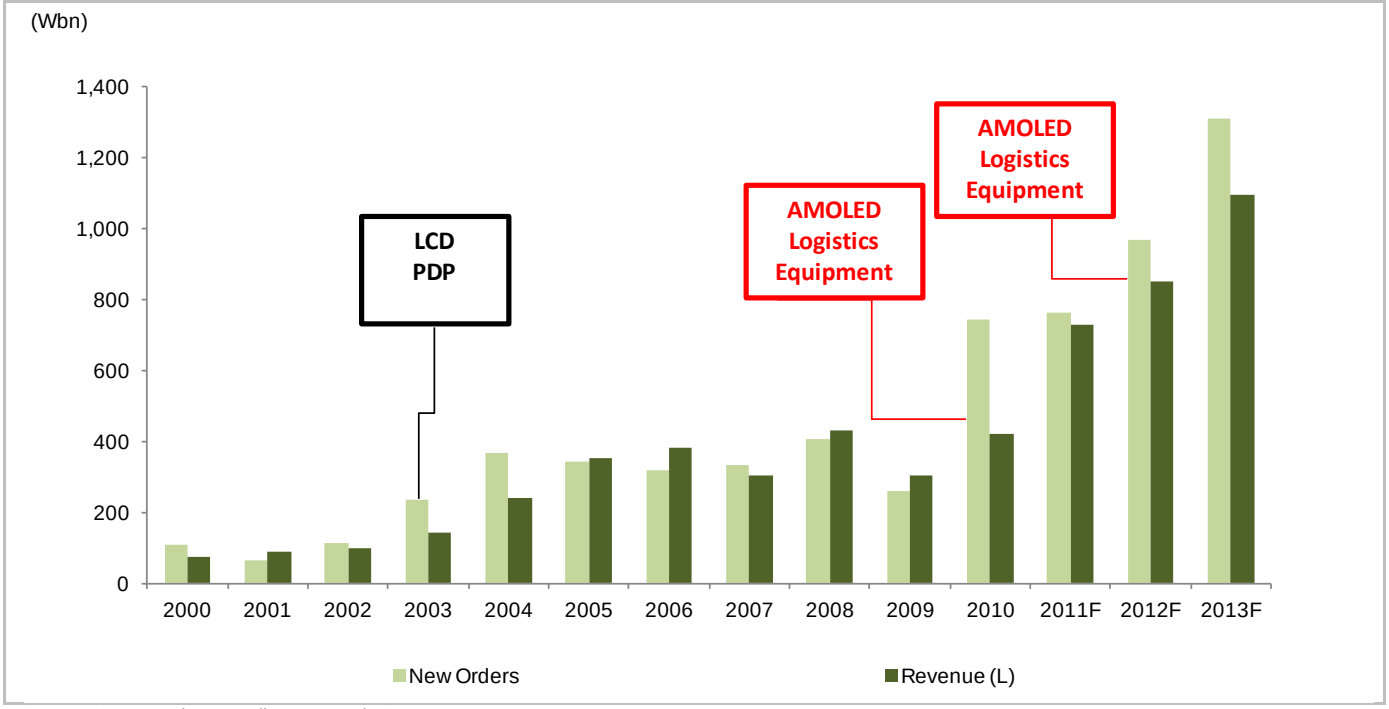
Know-how from LCD industry enables SFA to enter the AMOLED market

Powered by LCD and PDP technologies, SFA has taken a very important role in the growth of Korean display industry since 2000. Furthermore, the company has successfully made its way into AMOLED equipment industry (rapidly growing industry), thanks to its know-how obtained from the past.

Transforming into a total equipment maker

SFA generates revenue from sales of logistics equipment (66.3%), FGA equipment (12.4%), high precision equipment (19.1%) and front end equipment (2.2%). Furthermore, the recent growth of revenue from front-end equipment signifies that SFA is transforming into a total equipment maker.

Exhibit 2. New orders and revenue

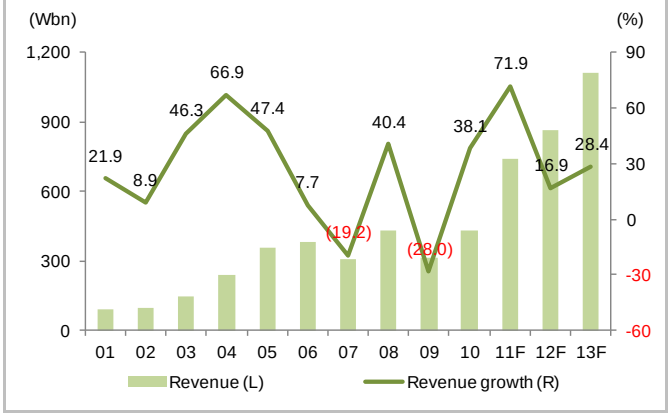


Source: Company data, Leading Research Center
**IFRS non-consolidated*

Increased new orders in 2010 powered by product diversification→Expecting increased orders for Front End Eq. starting 2012F

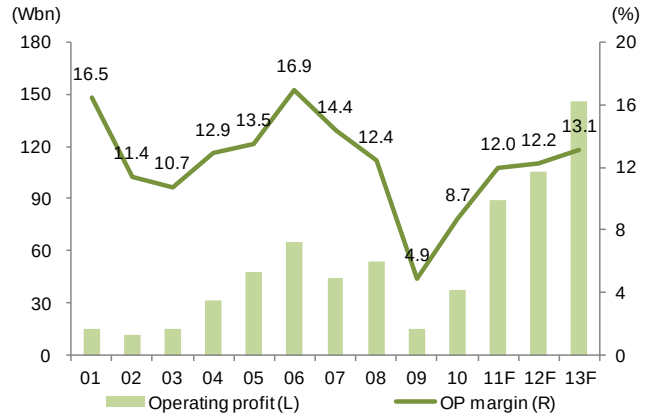
In 2010, SFA secured a record high order worth W743.1bn through product diversification and preparation to enter the AMOLED market. The company revenue for 2011E is expected to reach up to W731.3bn helped by robust orders from the previous year. Front-end equipment division received new orders for LCD in 2011 and is now expecting new orders for AMOLED front-end equipment. In addition, participating in semiconductor and solar market is expected to transform the company into a total equipment producer in 2013.

Exhibit 3. Revenue and growth trend



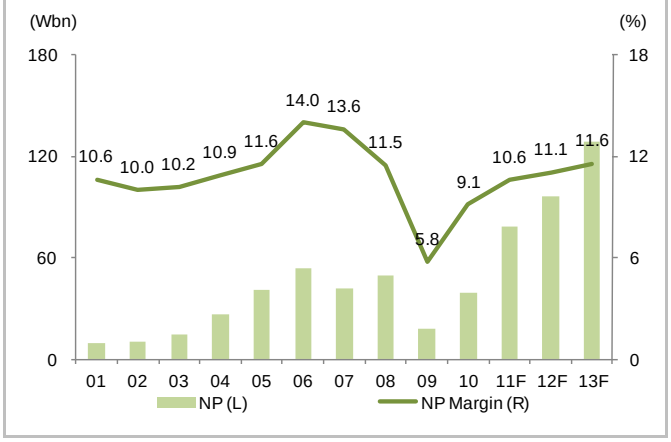
Source: Company data, Leading Research Center

Exhibit 4. Operating profit and OPM trend



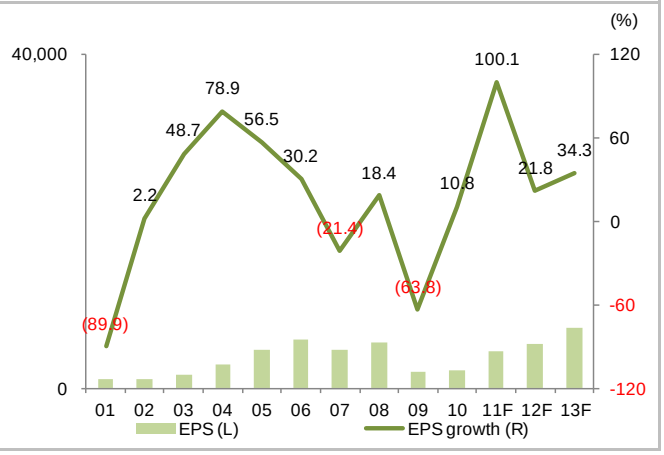
Source: Company data, Leading Research Center

Exhibit 5. Net profit and NP margin trend



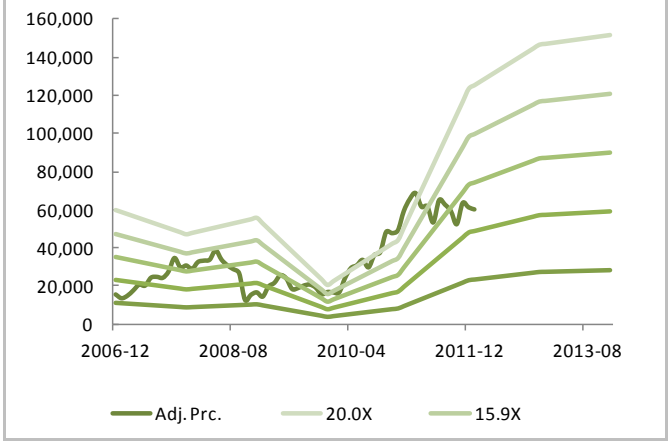
Source: Company data, Leading Research Center

Exhibit 6. EPS and EPS growth



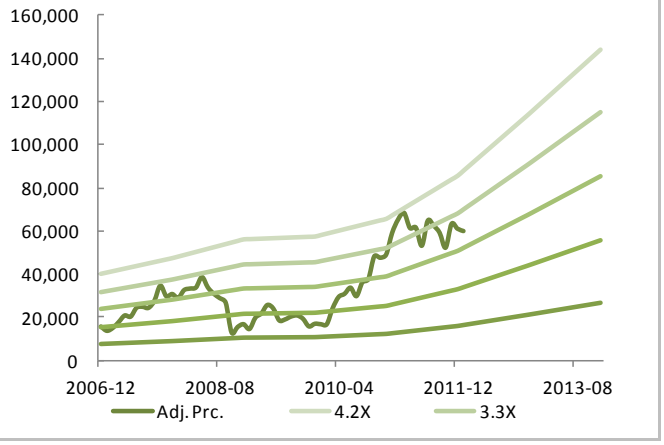
Source: Company data, Leading Research Center

Exhibit 7. PER Band



Source: FnGuide

Exhibit 8. PBR Band



Source: FnGuide

Section 2: Is the company a value creator?

ROE recovered by the growth of AMOLED business

ROE to remain over 25% until 2013F

The company recorded the ROE of 42.3% in 2005 when display market was rapidly expanding. Since then, it has been maintaining ROE at 20% level except in year 2009 when investment in the industry was contracting due to global economic crisis. Starting 2010, the company has successfully diversified its product line through entering AMOLED industry, which is expected to increase the ROE up to over 25% in 2011E.

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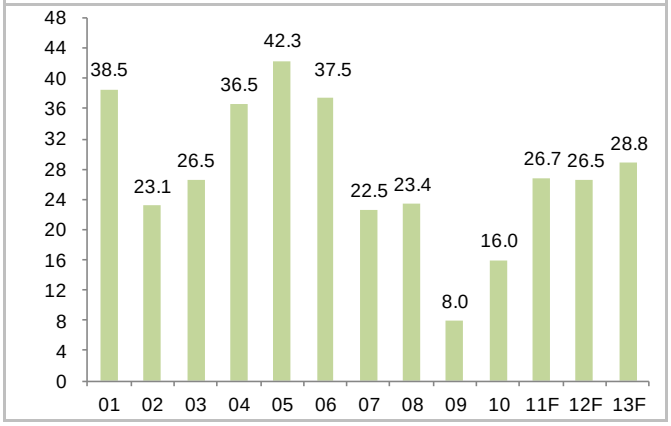
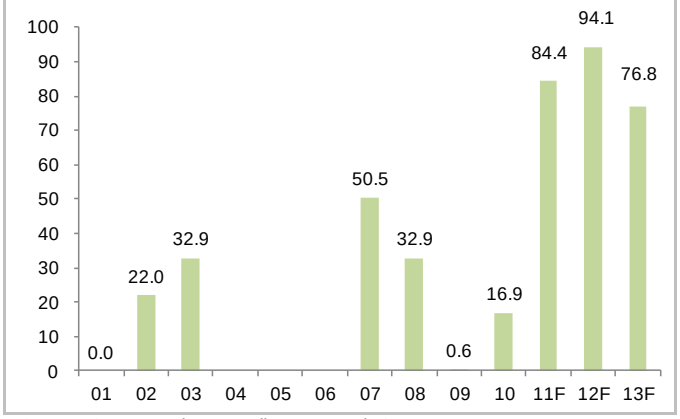
Exhibit 9. ROE (%)



Source: Company data, Leading Research Center

Exhibit 10. EVA: ROIC less WACC (%)



Source: Company data, Leading Research Center
**2004~2006 EVA does not provide meaningful information*

Steady value creation expected starting 2011E

Due to its heavy reliance on LCD business, the company has suffered from fluctuation of EVA (ROIC less WACC) caused by the volatility of the economy. Furthermore, the dramatic increase (35.7%) of invested capital in 2009 (W90.8bn→W123.2bn) deteriorated its EVA to 0.6%.

The company has successfully achieved product diversification through expanding its business parameters to AMOLED and semiconductor industries in 2010. As a result, strong revenue growth from AMOLED in 2010 enabled the company to record the EVA of 16.9%, signifying steady value creation. The increase in OP from 2011E to 2012F is expected to boost the FCF of the company up to W70.0bn~W100.0bn. Increased cash & equivalents backed by increased FCF is expected to decrease the company's invested capital causing its EVA to exceed 80%.

Section 3: Free cashflow generation and dividend policy

W70bn~W100bn of FCF expected from 2011~2013F

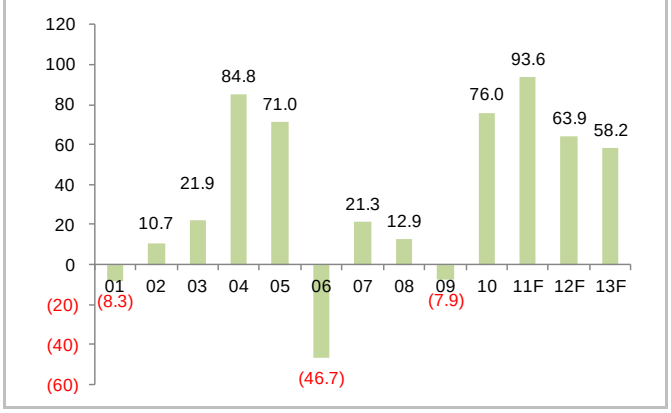
Rapid growth in FCF starting 2010, powered by increased orders for AMOLED and logistics system

2006 The company has recorded negative FCF in 2006 (W-46.7bn) and 2009 (W-7.9bn) due to the contraction of LCD industry. However, backed by large-scale orders of W743.1bn in 2010 for AMOLED and logistics system, its FCF surged back up to W76.0bn.

W215.8bn of FCF expected from 2011 to 2013

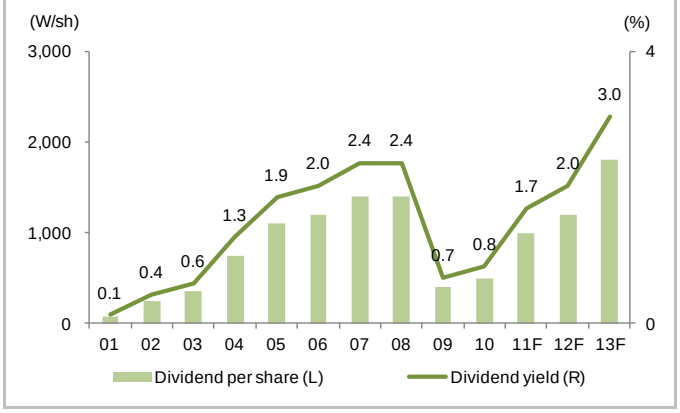
Large-scale investments successfully stabilized the company's AMOLED business. As a result, SFA's 2011E revenue and net profit are expected to record W741.3bn and W78.7bn respectively. Powered by increased revenue, operation cashflow is expected to reach W215.8bn over next three years.

Exhibit 11. Free cashflow trend (Wbn)



Source: Company data, Leading Research Center

Exhibit 12. Dividend per share and yield trend



Source: Company data, Leading Research Center

W1,000/sh dividend expected in 2011E

The company has been maintaining the high dividend yield (20%~30% of the company's net profit) for the past ten years. We derived 2011E EPS of W4,368 based on 2011E net profit of W78.7bn and applied 23% dividend yield (conservative measure based on dividend yields from the past ten years) to the EPS which renders the dividend payment of W1,000/share.

W1,800/sh dividend expected in 2013F, signifying 3.0% of the current price

2012F and 2013F net profits are expected to increase by 21.8% and 34.3% respectively while the dividend rate remains unchanged. Therefore, we expect the company's dividend payment to be W1,800/sh signifying 3.0% of current share price in 2013F.

Exhibit 13. Dividend trend

(Wbn)	01	02	03	04	05	06	07	08	09	10	11E	12F	13F
Cash from operation	(1.4)	14.3	30.3	109.1	91.6	(32.6)	35.7	26.6	(2.8)	84.8	104.6	73.7	68.6
CAPEX	6.9	3.6	8.4	24.3	20.6	14.1	14.3	13.7	5.1	8.8	11.0	9.8	10.4
Free cash flow	(8.3)	10.7	21.9	84.8	71.0	(46.7)	21.3	12.9	(7.9)	76.0	93.6	63.9	58.2
Dividend paid	0.0	0.7	2.2	3.2	6.4	9.4	10.9	12.8	12.4	3.5	18.0	21.5	32.3
Dividend per share (W/sh)	75	250	350	750	1,100	1,200	1,400	1,400	400	500	1,000	1,200	1,800
Dividend yield (%)	1.3	3.3	2.2	4.5	4.3	3.9	2.3	4.2	1.2	1.0	1.7	2.0	3.0

Source: Company data, Leading Research Center

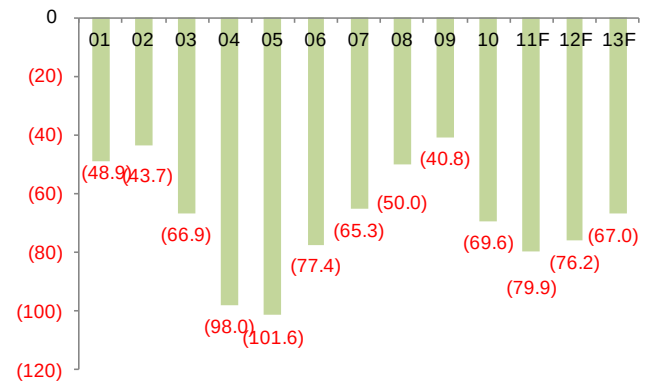
Section 4: Are the debt and interest burden manageable?

Maintaining net cash position

No debt policy is to be continued

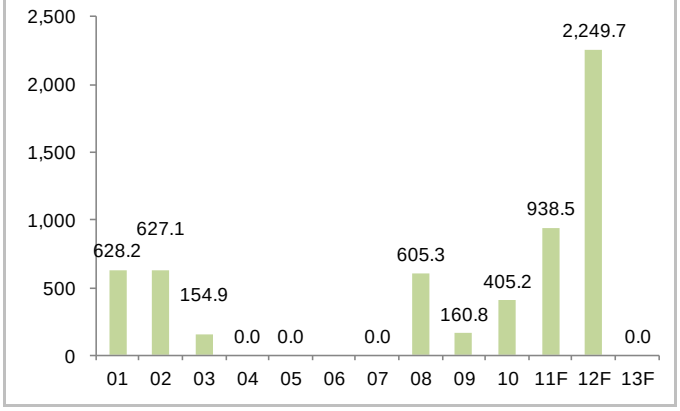
The company has been operating without raising its capital through debt for the past ten years. Considering the fact that the FCF of W215.8bn is expected for next three years, we believe there is a very low probability that the company will raise capital through debt. Therefore, the company's balance sheet should remain strong.

Exhibit 14. Net debt/equity ratio (%)



Source: Company data, Leading Research Center

Exhibit 15. Interest coverage (X)



Source: Company data, Leading Research Center

Exhibit 16. Interest bearing debt and interest coverage trend

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Interest bearing debt	1.3	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	0.0	0.0
Cash & equivalents	20.2	20.4	42.8	78.3	116.4	132.5	132.1	113.4	95.2	185.7	261.4	304.3	331.9
Net int bearing debt	(18.9)	(20.4)	(42.8)	(78.3)	(116.4)	(132.5)	(132.1)	(111.4)	(93.2)	(183.7)	(259.4)	(304.3)	(331.9)
Net int bear debt/eq (%)	(48.9)	(43.7)	(66.9)	(98.0)	(101.6)	(77.4)	(65.3)	(50.0)	(40.8)	(69.6)	(79.9)	(76.2)	(67.0)
Interest expenses	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Interest coverage (X)	628.2	627.1	154.9	N/A	N/A	N/A	N/A	605.3	160.8	405.2	946.4	2249.7	N/A

Source: Company data, Leading Research Center

Section 5: Asking for money with share issues, CB&BW?

No additional stock issue necessary to raise capital

No additional funding expected

SFA has not raised any additional capital since the IPO in 2011, and we expect this trend to continue.

Exhibit 17. Capital raised through stock issuance

(Wbn)	01	02	03	04	05	06	07	08	09	10	Incr.during '01-10
Paid-in capital	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	9.0	5.8
Paid-in cap in excess of par	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.8	16.8	12.3	12.3
Capital raised through stock issue	18.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.1

Source: Company data

No overhang issue

There is neither existing CB nor BW.

Section 6: What is the management philosophy?

Automation system expert, CEO Hyo-Jum Bae

CEO with engineer background

Graduating from Yeungnam University with a B.S in mechanical engineering in 1977, Hyo-Jum Bae has been devoting his time and effort to studying automation system and became the CEO of SFA in 2009. Having been nominated as a vice president for SFA for his experience in automation system field as an engineer (Samsung Techwin and Samsung Engineering), he has been leading the company from the growth phase.

CEO Hyo-Jum Bae emphasizes the importance of technology and believes that companies without technology cannot survive in the industry. He also believes that consistent researching and developing can overcome tough economic conditions.

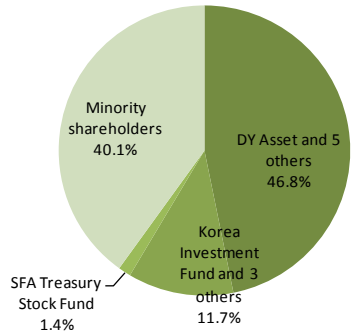
Business philosophy:
No debt, No deficit, No accident

SFA has been following its business philosophy (no debt, no deficit, and no accident) since its establishment. As a result, the company generated profit and prepared for 2010 even when the market condition was struggling in 2009 due to investment contraction. Powered by no debt financing, the company is maintaining net cash position, implying that the company has a strong balance sheet.

20~30% of NP paid to shareholders as dividends, high dividend yield is expected to continue

SFA has been paying 20%~30% of its net profit to shareholders as dividends for the past ten years. Such high dividend yield proves how the management values relationships with its shareholders. 2011E dividend should be at w1,000/sh (25% of 2011E NP of W73.7bn), signifying the continuation of high dividend yield trend.

Exhibit 18. Shareholders



Source: Company data, Leading Research Center

Exhibit 19. CEO profile

CEO Bae Hyo-Jum

Period	Career & Education
2011~	SFA CEO, President
2008	SFA CEO, Executive Director
2005	SFA Executive Director of FA/LO division
2004	SFA Director of FA/LO division
1999	SFA Sr. Vice President of LO division
1992	Joined Samsung Techwin's LO division
1984	Joined Samsung Engineering
1977	Joined Hyundai E&C
1977	B.S Yeungnam Univ (Mechanical Eng.)
1969	Graduated from Daegun high school

Source: Company data

Section 7: FX exposures and sensitivities

1% FX rate change causes 0.1% change in OP

The company's export accounts for 14%~22% of total revenue, and 50% of export is executed in US dollars while the rest is executed in JP Yen. The company's expense on imported raw material accounts for only 6.7% of the total revenue (50% executed in USD, 50% executed in JPY). FX rate increase of 1% (USD&JPY) raises the revenue and net profit by 0.1% and 0.6% respectively. Therefore, we believe the company is exposed to only minimal FX risk.

Exhibit 20. FX sensitivity 2011E

Currency rate change	-5%	-1%	Base	1%	5%
Year-avg KRW/USD	1,028	1,071	1,082	1,093	1,136
Year-avg KRW/JPY	14.5	15.1	15.2	15.4	16.0
Revenue (Wbn)	736.1	740.3	741.3	742.4	746.5
Operating profit (Wbn)	86.2	88.4	89.0	89.5	91.7
NP (Wbn)	75.5	77.7	78.2	78.8	81.0
EPS (W)	4,204	4,327	4,358	4,388	4,511
PER (X)	14.1	13.7	13.6	13.5	13.1
Revenue change (%)	(0.7)	(0.1)	0.0	0.1	0.7
OP change (%)	(0.4)	(0.1)	0.0	0.1	0.4
NP change (%)	(3.1)	(0.6)	0.0	0.6	3.1
EPS change (%)	(3.5)	(0.7)	0.0	0.7	3.5

Source: Company data, Leading Research Center

Exhibit 21. FX sensitivity 2012F

Currency rate change	-5%	-1%	Base	1%	5%
Year-avg KRW/USD	979	1,020	1,030.0	1,040	1,082
Year-avg KRW/JPY	13.1	13.7	13.8	14.0	14.5
Revenue (Wbn)	858.6	865.1	866.7	868.3	874.8
Operating profit (Wbn)	100.5	104.7	105.7	106.8	110.9
NP (Wbn)	89.4	93.5	94.6	95.6	99.8
EPS (W)	4,977	5,209	5,267	5,324	5,556
PER (X)	11.9	11.4	11.3	11.1	10.7
Revenue change (%)	(0.9)	(0.2)	0.0	0.2	0.9
OP change (%)	(0.4)	(0.1)	0.0	0.1	0.4
NP change (%)	(4.9)	(1.0)	0.0	1.0	4.9
EPS change (%)	(5.5)	(1.1)	0.0	1.1	5.5

Source: Company data, Leading Research Center

Exhibit 22. FX sensitivity 2013F

Currency rate change	-5%	-1%	Base	1%	5%
Year-avg KRW/USD	1,002	1,044	1,055.0	1,066	1,108
Year-avg KRW/JPY	11.2	11.7	11.8	11.9	12.4
Revenue (Wbn)	1,100.8	1,110.6	1,113.1	1,115.5	1,125.3
Operating profit (Wbn)	137.3	144.1	145.8	147.5	154.3
NP (Wbn)	118.4	125.2	126.9	128.6	135.4
EPS (W)	6,594	6,974	7,069	7,164	7,543
PER (X)	9.0	8.5	8.4	8.3	7.9
Revenue change (%)	(1.1)	(0.2)	0.0	0.2	1.1
OP change (%)	(0.4)	(0.1)	0.0	0.1	0.4
NP change (%)	(5.8)	(1.2)	0.0	1.2	5.8
EPS change (%)	(6.7)	(1.3)	0.0	1.3	6.7

Source: Company data, Leading Research Center

Section 8: Operations overview

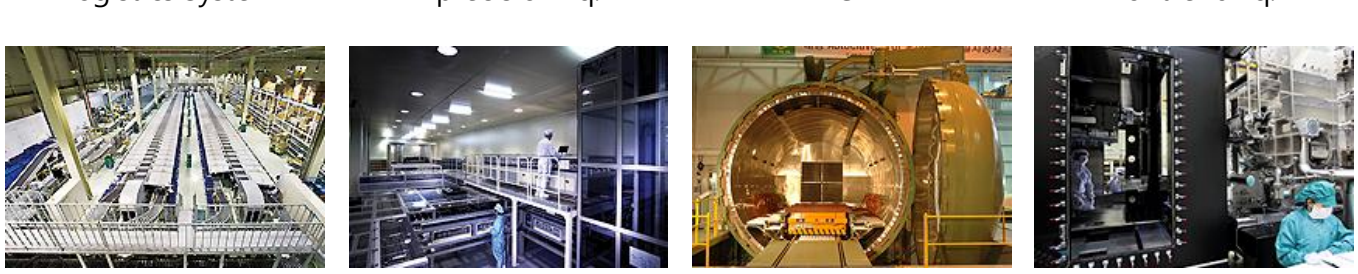
Growth through Factory Automation system

Four different divisions:
1. Logistics division 2. High precision Eq. division 3. FGA division 4. Front end Eq. division

SFA has four different divisions, and each division has a broad product line. The company is expanding its business parameter with logistics division as its root.

As LCD equipment is projected to shrink, increased demand for AMOLED equipment is expected. Furthermore, successful product diversification enabled the company to enter semiconductor and solar equipment markets.

Exhibit 23. Business structure of SFA



Source: Company data, Leading Research Center

2011E Revenue breakdown: 68.2%, 14.6%, 15.2%, 2.0%

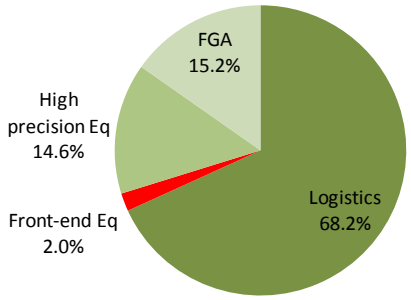
2011E revenue from logistics division accounts for the largest proportion of total revenue (68.2%) while high precision equipment division and FGA division generate 14.6% and 15.2% of total revenue respectively. Front end equipment division accounts for only 2% of total revenue because it is still in the entry phase. However, considering its importance in future displays industry and joint development with SMD, solid future growth is expected.

2013F Front-end eq. division revenue should account for 20% of total revenue

- ➔ **Improving the company's profitability**

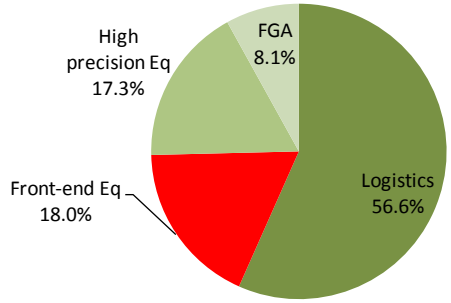
We are expecting logistics division to benefit from SMD's investments while 8g line expansion is in the process. New orders for front-end equipment are also expected. Once the 8g line expansion is completed, the revenue from front-end equipment division should reach up to 20% of total revenue. Considering the fact that front-end equipment has a higher profit margin than FA system, the company's profitability should soar up.

Exhibit 24. 2011E Revenue breakdown (%)



Source: Company data, Leading Research Center

Exhibit 25. 2013F Revenue breakdown (%)



Source: Company data, Leading Research Center

I. Root of SFA – Factory Automation system

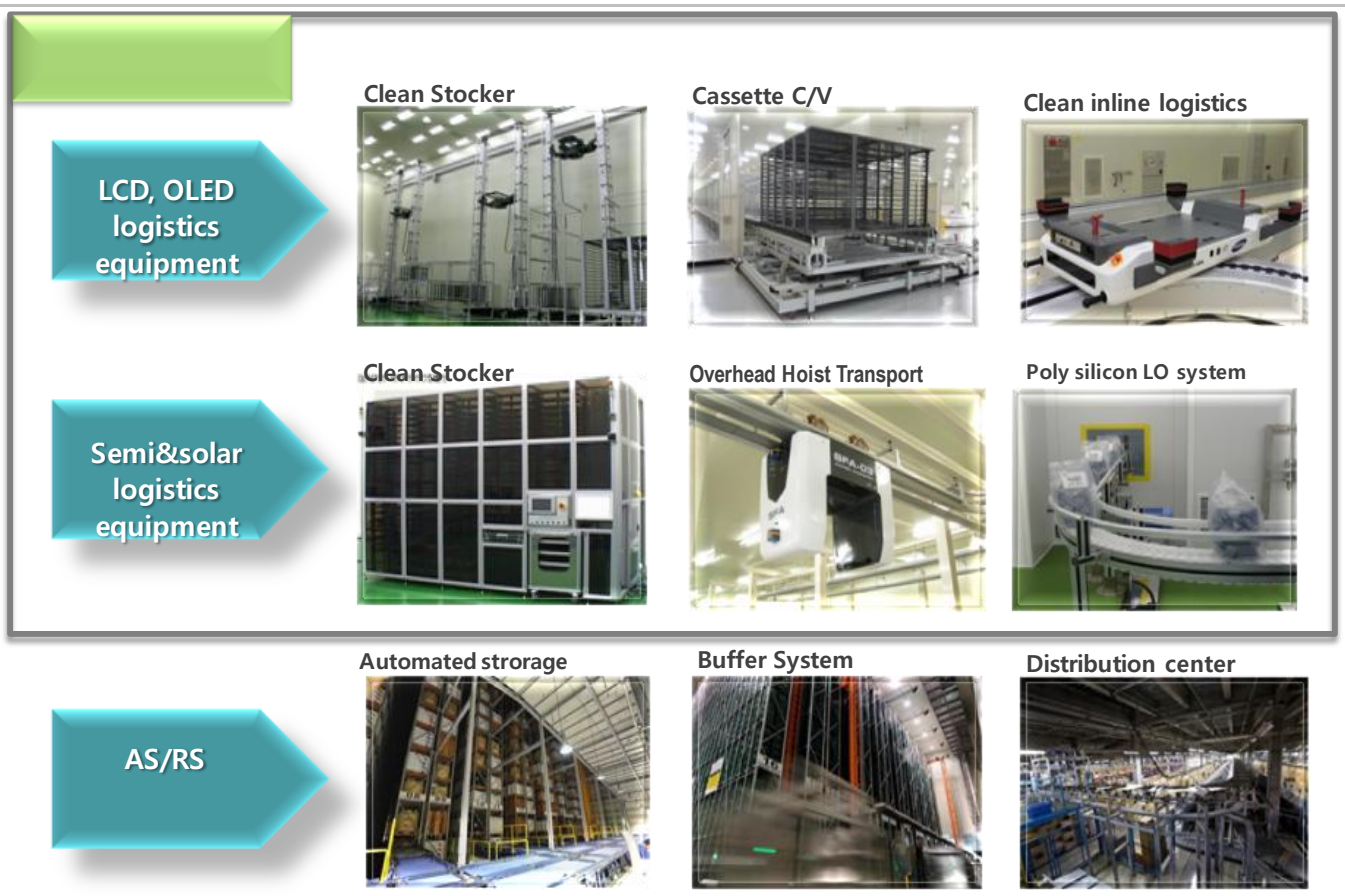
1. Logistics division can be classified into normal logistics and clean logistics

Logistics system can be classified into normal logistics system and clean logistics system. The former can be easily seen in warehouses and used by various industries (IT, Automobile, Food). Clean logistics (yield higher profit margin) requires improved technology and is used for producing LCD, PDP, semiconductor, and AMOLED.

Growth from AMOLED and semiconductor clean logistics system expected

Display logistics equipment accounts for the largest portion in clean logistics. Owing to AMOLED related experience and know-how obtained from Samsung Electronics and LG Electronics, the firm has been securing increasing orders for AMOLED. Furthermore, the fact that the company has advanced to semiconductor logistics system industry, which requires a more difficult technology, shows that clean logistics may be the core business area in the future.

Exhibit 26. Logistics Equipment



Source: Company data, Leading Research Center

II. Fruits of SFA – High precision eq. and FGA businesses

2. Turn-key system – providing total solution for back end equipment

High precision equipment division includes backend and solar cell modules which account for 14.6% of the company's total revenue. This division is responsible for grinding edges of completed displays and bonding them. Given the fact that the division deals with back end equipments, it does not require sophisticated technology. However, considering the fact that the company adopted the turn-key system to provide the total solution for back end equipment, we believe the division plays an important role.

3. FGA division shows positive results from investments

FGA (Fine Glass and Automation) division accounts for 15.2% of total revenue and is in charge of producing various automated systems for equipment which require sophisticated technologies: LCD Fine glass formation, aircraft component production, and nuclear fusion power facility production.

Exhibit 27. High precision equipments and FGA equipments

Source: Company data, Leading Research Center

III. Seed of SFA – Front end equipment

4. Transforming into a total equipment company by entering the front-end equipment market

Front end equipment division produces and sells core equipments required for front-end process. Although the division only generates 2% of total revenue, its growth potential should be considered as the company has several ongoing projects which can be the future growth engines.

Two 8G PECVDs have been already supplied after its sophisticated technology has been proven

The company is selling 8G OLED PECVDs and printed electronic equipment as its core products and has already supplied two 8G PECVDs. SFA has 88 patents in Korea and overseas, and its technology is receiving higher marks compared to its competitors.

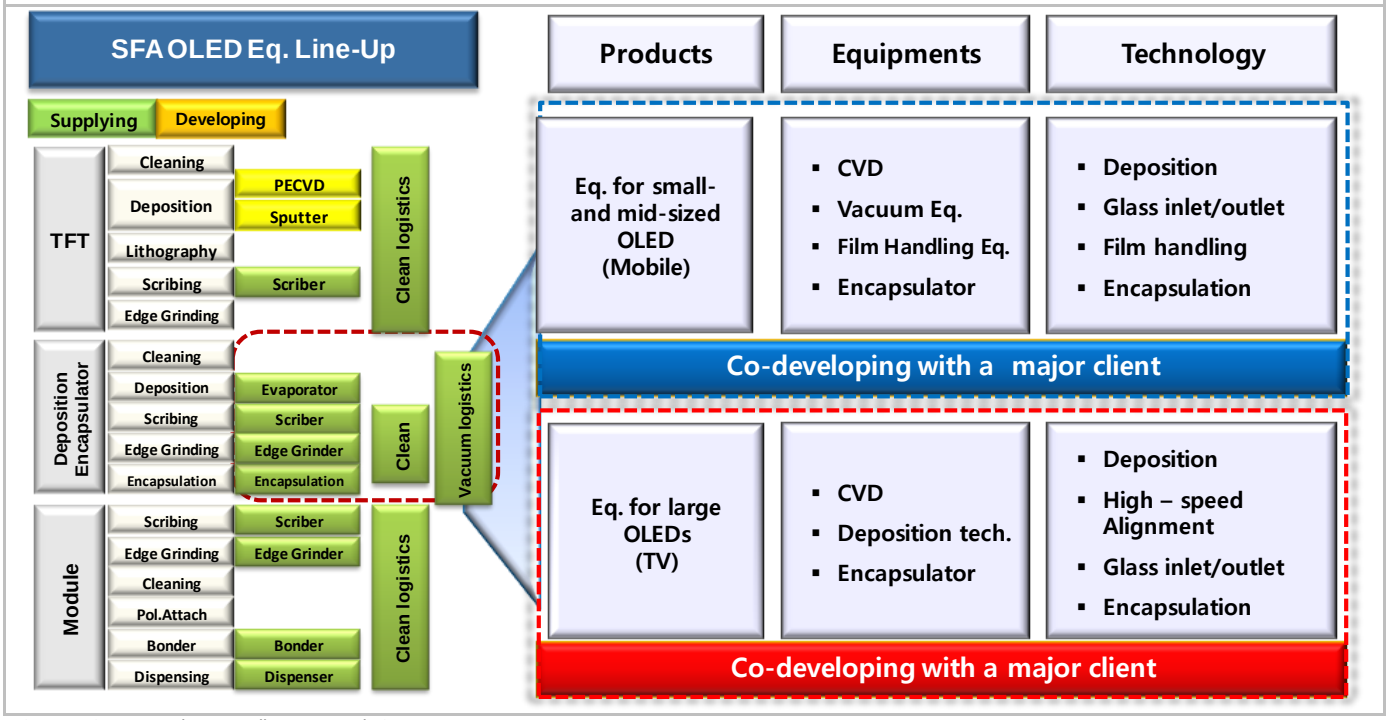
Co-developing front-end equipment for 5.5 G AMOLED

Front-end equipments under development are evaporators and Encapsulators. Evaporators are 5.5G equipments for producing small and medium OLED displays, which will be required for increased AMOLED demand for mobile devices. SFA is collaborating with its client company to develop evaporators, and the revenue is expected to increase as the client company invests in 5.5G AMOLED.

Growth potential powered by co-development of encapsulator required for producing large OLED TVs

SFA and its client company are co-developing the encapsulator, which is a vital piece of equipment that prevents AMOLED from being oxidized when it is exposed to the air in the production process (preparing for 8G AMOLED market). In order to mass produce large OLED TVs, large-scale AMOLED investments are necessary to secure a competitive price. Therefore, the co-development of the encapsulator is expected to be a growth engine for the company. Furthermore, the firm has already developed front-end equipment for flexible AMOLED for mobile devices.

Exhibit 28. Encapsulators and Evaporators for AMOLED (Front-end equipment)



Source: Company data, Leading Research Center

Increased AMOLED investments expected in 2013F

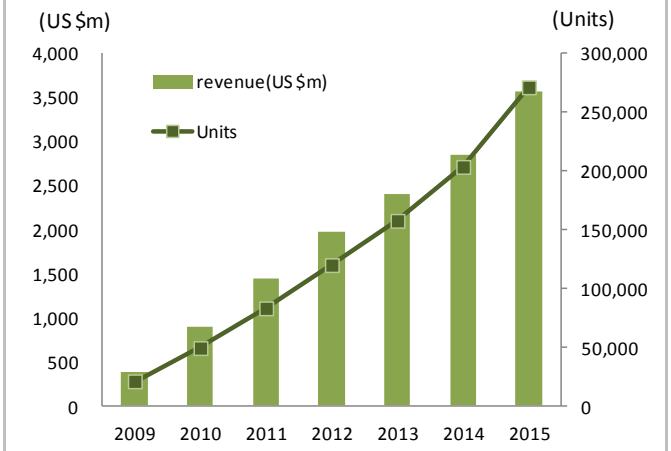
Increased AMOLED investments

As of now, SMD has over 90% of AMOLED market share, and LGD is chasing. Both companies have plans to increase AMOLED investments, and SMD's 2012F investment is expected to record W7.0trn. The competition between two companies' display divisions is shifting from LCD to AMOLED.

AMOLED investments are vital to survive the competition in display industry

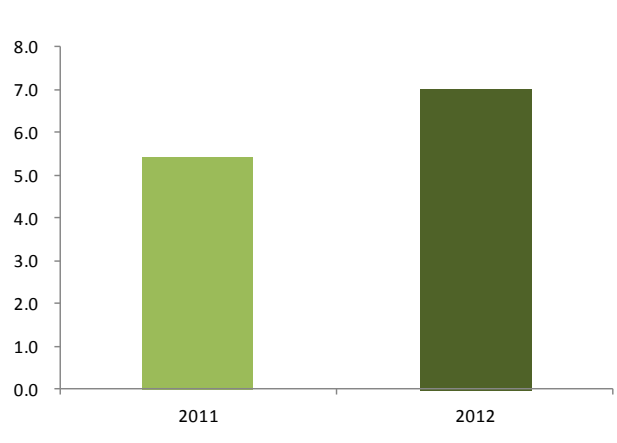
Despite concerns regarding if AMOLED TVs can completely replace LCD TVs, the consensus predicts that a company cannot survive the competition without producing AMOLED TV. Therefore, AMOLED investments to strengthen hardware qualities are inevitable, giving potential orders to AMOLED equipment market.

Exhibit 29. Global AMOLED shipments and revenue (%)



Source: isuppli, Leading Research Center

Exhibit 30. SMD's AMOLED investments trend



Source: Company data, Leading Research Center

Flexible AMOLED for mobile devices vs. Large display

AMOLED portfolio
1. Flexible display
2. Large display

Flexibility is the most unique characteristic of AMOLED, which LCD and PDP do not have. Although flexibility is a very attractive feature, it is difficult to anticipate the demand from end applications. Furthermore, large AMOLED displays still do not have price advantage over LCD displays.

SFA has product portfolios for both types of displays, so it can respond efficiently to either portfolio.

Therefore, we believe SFA, which has the most defensive portfolio to rapidly changing market trends, is going to experience steady growth in AMOLED equipment market.

Quarterly earnings forecast

4Q11E Revenue: W236.0bn (28.6% YoY)
4Q11E OP: W32.7bn (42.9% YoY)
4Q11E Np: W24.5bn (14.7% YoY)

We expect 4Q11E revenue of W236.0bn (28.6% YoY), OP of W32.7bn (42.9% YoY), and NP of W24.5bn (14.7% YoY). Given orders on hand of W210.0bn (3Q11) and 4Q11E new orders of W182.0bn, we believe 4Q11E revenue of W236.0bn should be recorded. 4Q11E OPM is projected to soar, resulting in 2011E OPM of 12% level, backed by orders from Samsung Mobile Display (delayed from 3Q).

Exhibit 31. Quarterly earnings forecast

(Wbn,%)	1Q11	2Q11	3Q11P	4Q11E	2011E
Revenue	134.1	209.1	152.1	236.0	731.3
Operating profit	15.5	22.8	14.9	33.7	87.0
Profit before tax	18.1	28.7	15.6	33.2	95.6
Net profit	14.4	24.7	11.7	24.5	75.3
OPM (%)	11.6	10.9	9.8	14.3	11.8
NPM (%)	10.7	11.8	7.7	10.4	10.3

Source: Company data, Leading Research Center
IFRS Non-consolidated

Annual earnings forecast

2011E Revenue: W731.3bn (72.9% YoY)
2011E OP: W87.0bn (130.5% YoY)
2011E NP:W75.3bn (91.3% YoY)

We expect 2011E record high revenue of W731.3bn (72.9% YoY), OP of W87.0bn (130.5% YoY), and NP of (91.3% YoY). SFA was the beneficiary of SMD's aggressive investment in 2011 to expand AMOLED capacity.

AMOLED produced by SMD is mainly for mobile devices. Recently, 7 inch tablet PCs are preferred by customers to 4.3 inch tablet PCs from the past, requiring increased capacity. Therefore, considering increased demand for Smart phones and tablet PCs, capacity for AMOLED should increase, resulting in robust earnings for SFA.

Exhibit 32. Annual earnings forecast

(Wbn,%)	Revenue forecast				Growth(%)		
	2010	2011E	2012F	2013F	2011E	2012E	2013E
Revenue	423.0	731.3	854.7	1,099.1	72.9%	16.9%	28.6%
Operating profit	37.8	87.0	104.3	144.0	130.5%	19.8%	38.1%
Profit before tax	50.0	95.6	112.7	152.7	91.0%	17.9%	35.5%
Net profit	39.4	75.3	90.0	121.6	91.3%	19.6%	35.0%
EPS	2,192	4,358	5,267	7,069	-	-	-
Revenue breakdown(%)							
Logistics System	55.7%	68.2%	70.8%	56.6%	-	-	-
Front End Equipment	0.0%	2.0%	7.1%	18.0%	-	-	-
High Precision Eq.	17.8%	14.6%	12.9%	17.3%	-	-	-
FGA	26.5%	15.2%	9.2%	8.1%	-	-	-
OPM (%)	8.9	11.8	12.2	13.1	-	-	-
NPM (%)	9.3	10.3	10.5	11.1	-	-	-

Source: Company data, Leading Research Center
IFRS Non-consolidated

Section 9-1: Valuation – Peer valuation

Relatively high ROE

We believe AP System and ICD are suitable companies for peer valuation given they are also concentrating on AMOLED equipment business. Furthermore, considering SFA's plan to participate in Solar and semiconductor equipment markets, we also included Jusung Engineering and Wonik IPS for valuation.

2012E PER 11.1X is similar to the average PER of peer companies

2012F PER of 11.1X is expected to be slightly lower than the average PER of five peer companies, 11.5X. 2012F ROE (26.5%) is also expected to be similar to the average PER of 27.2%.

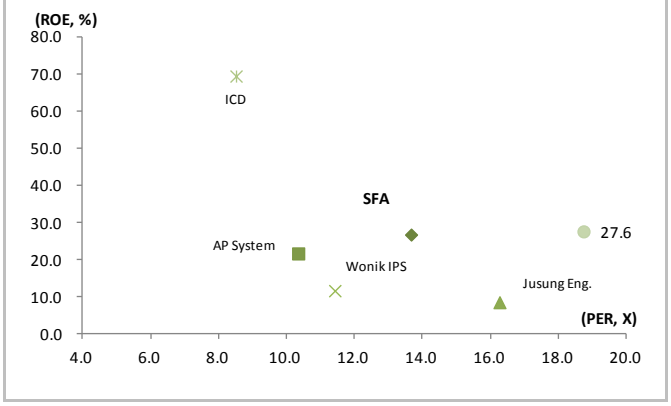
Exhibit 33. Peer valuation comparison

Name	Ticker	Ctry.	Market Cap. (US$m)	Revenue (US$m)				OPM (%)			
				09	10	11E	12E	09	10	11E	12E
SFA	**056190 KQ**	**KOR**	**918.4**	**242.0**	**366.0**	**741.3**	**866.7**	**4.9**	**8.9**	**11.8**	**12.2**
AP System	054620 KQ	KOR	251.7	72.5	133.5	207.3	290.7	3.9	-0.9	7.9	11.7
Jusung	036930 KQ	KOR	330.2	134.1	366.3	298.9	327.5	8.5	11.6	5.7	8.9
Wonik IPS	030530 KQ	KOR	586.3	71.8	149.8	258.2	378.8	6.3	11.0	10.5	12.9
ICD	040910 KQ	KOR	359.9	30.4	129.6	137.2	233.5	12.1	22.7	23.1	22.2

Name	PER (X)				EV/EBITDA (X)				P/B (X)				ROE (%)			
	09	10	11E	12E	09	10	11E	12E	09	10	11E	12E	09	10	11E	12E
SFA	**16.4**	**22.0**	**13.5**	**11.1**	**10.3**	**16.3**	**11.2**	**9.5**	**1.3**	**3.3**	**3.3**	**2.7**	**6.9**	**16.2**	**26.7**	**26.5**
AP System	34.5	N/A	19.9	10.3	6.5	16.3	11.4	6.0	1.1	2.7	3.6	2.6	6.1	-1.2	21.7	29.3
Jusung	272.2	18.2	26.3	16.3	34.7	14.5	16.5	10.4	3.3	3.0	1.6	1.4	1.3	16.5	8.5	10.1
Wonik IPS	11.7	11.0	18.5	11.4	11.9	23.4	17.0	9.3	1.6	1.5	2.8	2.2	14.8	12.0	11.7	21.7
ICD	N/A	13.0	12.4	8.5	N/A	11.0	9.3	6.1	N/A	4.6	5.4	3.2	29.5	50.9	69.4	48.6

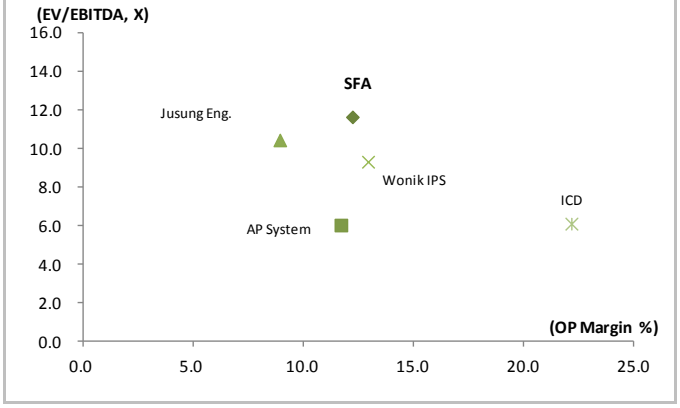
Source: Company data, Bloomberg, Leading Research Center
Jan 12, 2012

Exhibit 34. A peer group PER vs. ROE



Source: Bloomberg, Leading Research Center

Exhibit 35. A peer group EV/EBITDA vs. OPM



Source: Bloomberg, Leading Research Center

Section 9-2: Valuation – Target price W73,200

78.0% PER premium given in 2009 and 2010 – Industry high

Until 2008, the company's shares traded at discount to the industry PER. However, the shares traded at 78% premium to year-high industry PER in 2009 and 2010. But the strong rally stopped in 2010 and the shares traded at a minor discount of 5.1% to the industry in 2011.

Beneficiary of rapidly growing AMOLED market

The company's recent investments in its future core business AMOLED automation system and AMOLED equipment businesses is expected to increase the revenue by 16.9% in 2012F and 28.4% in 2013F. Increased revenue is expected to boost the EPS by 21.8% in 2012F and 34.3% in 2013F.

15% PER premium to the display market warranted (13.7X) given its growth potential in 2012 and 2013

Considering the fact that display industry will focus on AMOLED in the future, companies not participating in the new trend of AMOLED are expected to suffer lower the industry growth. Given that SFA will be a leader in AMOLED FA and core equipment, it will be the main beneficiary of AMOLED and we believe 15% PER premium to the industry PER is warranted.

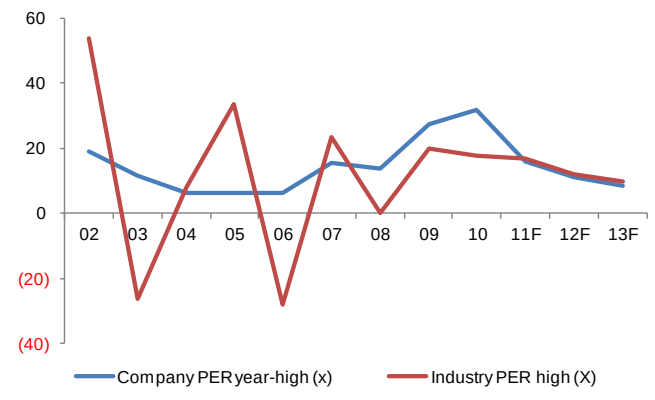
Therefore, we apply 50% premium to the display industry year high PER of 11.9X (2012F) which renders 13.7X. Using the 2012F EPS of W5,343 and PER of 13.7X, we derive a fair share price of W59,900 implying 22.2% upside potential.

Exhibit 36. SFA valuation VS. Industry Valuation

(X, %)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F	2013F
SFA year-high PER (X)	19.2	11.6	6.2	6.5	6.2	15.4	13.9	27.2	31.7	16.0	11.8	8.3
Industry year-high PER (X)	53.9	N/A	7.8	33.6	N/A	23.4	N/A	19.7	17.8	16.9	11.9	9.6
Premium/(Discount) to market (%)	**(64.3)**	**N/A**	**(21.2)**	**(80.8)**	**N/A**	**(34.1)**	**N/A**	**38.3**	**78.0**	**(5.1)**	**(0.1)**	**(13.9)**
SFA year-low PER (X)	4.6	3.2	3.1	3.7	4.1	5.2	3.7	14.1	14.6	11.2	11.1	8.3
Industry year-low PER (X)	18.6	N/A	0.5	21.5	N/A	11.9	N/A	9.3	13.1	11.0	11.4	9.6
Premium/(Discount) to market (%)	**(75.4)**	**N/A**	**477.5**	**(83.0)**	**N/A**	**(55.9)**	**N/A**	**50.8**	**10.9**	**1.8**	**(2.5)**	**(13.9)**

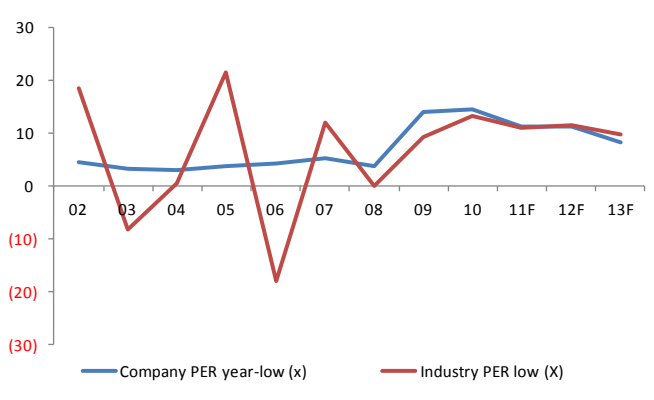
Source: Company data, Leading Research Center
**Market = KOSPI + KOSDAQ,*

Exhibit 37. SFA VS. Industry PER high



Source: Bloomberg, Leading Research Center

Exhibit 38. SFA VS. Industry PER low



Source: Bloomberg, Leading Research Center

Summary of financials

Income statement

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Revenue	**90.7**	**98.7**	**144.5**	**241.1**	**355.4**	**382.6**	**309.0**	**433.9**	**312.4**	**431.3**	**741.3**	**866.7**	**1,113.1**
% chg yoy	21.9	8.9	46.3	66.9	47.4	7.7	(19.2)	40.4	(28.0)	38.1	71.9	16.9	28.4
COGS	69.6	79.8	117.8	194.9	289.6	298.2	245.8	357.3	274.9	360.5	599.7	696.8	886.0
Gross profit	**21.1**	**18.9**	**26.6**	**46.2**	**65.8**	**84.4**	**63.2**	**76.6**	**37.6**	**70.8**	**141.6**	**169.9**	**227.1**
GP margin (%)	23.2	19.1	18.4	19.1	18.5	22.1	20.5	17.6	12.0	16.4	19.1	19.6	20.4
SG&A	**6.1**	**7.6**	**11.1**	**15.1**	**17.8**	**19.7**	**18.8**	**22.8**	**22.2**	**33.3**	**52.6**	**64.1**	**81.3**
Adjusted OP	**14.9**	**11.3**	**15.5**	**31.1**	**47.9**	**64.7**	**44.4**	**53.8**	**15.3**	**37.5**	**89.0**	**105.7**	**145.8**
Adj. OP margin (%)	**16.5**	**11.4**	**10.7**	**12.9**	**13.5**	**16.9**	**14.4**	**12.4**	**4.9**	**8.7**	**12.0**	**12.2**	**13.1**
Net other incomes	(2.3)	0.3	4.0	2.2	2.4	0.5	4.6	10.6	(0.6)	7.5	(1.2)	0.2	0.1
Reported OP	**14.9**	**11.3**	**15.5**	**31.1**	**47.9**	**64.7**	**44.4**	**53.8**	**15.3**	**37.5**	**87.8**	**105.9**	**145.9**
Net equity method gains	0.0	0.0	(1.9)	(0.6)	(0.7)	2.2	0.8	0.4	1.0	2.3	2.5	2.6	2.7
Interest incomes	0.5	1.5	1.6	2.6	3.9	6.8	8.2	8.6	7.8	5.0	9.9	11.8	13.6
Interest expenses	0.0	0.0	0.1	0.0	0.0	3.3	0.4	4.7	0.2	2.3	0.2	0.2	0.3
Profit before tax	13.1	13.1	19.1	35.2	53.5	70.8	57.6	68.7	25.1	50.0	99.9	120.1	161.9
Tax	3.5	3.2	4.4	8.9	12.4	17.3	15.6	18.9	7.1	10.6	21.2	24.1	33.0
Tax rate (%)	0.3	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Net profit	**9.7**	**9.9**	**14.7**	**26.3**	**41.1**	**53.5**	**42.0**	**49.8**	**18.0**	**39.4**	**78.7**	**95.9**	**128.9**
Controlling	0.0	0.0	0.0	0.0	41.1	53.5	42.0	49.8	18.0	39.4	78.7	95.9	128.9
Non-controlling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other comprehensive inc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive	9.7	9.9	14.7	26.3	41.1	53.5	42.0	49.8	18.0	39.4	78.7	95.9	128.9

Balance sheet

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Current Assets	**72.3**	**73.8**	**165.1**	**254.9**	**228.2**	**236.6**	**251.4**	**279.3**	**173.9**	**513.0**	**587.3**	**628.8**	**713.9**
Cash and equivalents	2.5	1.7	9.9	17.6	39.0	17.0	12.7	39.2	30.0	72.6	81.4	84.3	81.9
Marketable securities	17.7	18.6	32.9	60.7	77.4	115.5	119.4	74.2	65.3	113.2	180.0	220.0	250.0
A/R	22.2	30.4	48.4	48.4	34.5	61.8	62.6	48.0	41.6	92.6	111.2	97.1	126.9
Inventory	29.0	21.0	68.3	120.6	74.2	35.4	49.6	110.8	29.4	227.0	206.9	219.5	247.2
Other current assets	0.9	1.9	5.7	7.6	3.1	6.9	7.2	7.2	7.7	7.8	7.8	7.9	7.9
Non-current Assets	**23.5**	**31.9**	**38.9**	**99.1**	**143.1**	**104.9**	**128.9**	**141.3**	**141.2**	**131.8**	**139.7**	**147.5**	153.7
Tangible Assets	18.2	20.5	27.2	49.1	68.1	79.5	89.8	98.8	99.0	102.2	107.2	110.3	113.8
LT financial assets	3.7	3.0	2.9	34.7	61.2	4.7	17.4	22.2	23.5	8.0	8.0	9.0	9.0
Inv in related co's	0.0	5.6	4.4	9.5	9.5	11.6	12.3	13.0	12.1	14.4	17.0	19.7	22.5
Other non-current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	1.6	2.8	4.3	5.8	4.4	9.1	9.4	7.3	6.6	7.2	7.5	8.5	8.4
Non-current Assets	**95.8**	**105.7**	**204.0**	**354.0**	**371.4**	**341.5**	**380.3**	**420.6**	**315.2**	**644.8**	**726.9**	**776.2**	**867.5**
Current Liabilities	**51.4**	**51.2**	**129.7**	**261.1**	**237.9**	**147.1**	**156.3**	**181.5**	**72.9**	**371.5**	**394.2**	**370.1**	**366.5**
Account payables	11.5	17.2	29.6	50.6	48.6	50.1	49.7	40.5	31.1	109.9	131.9	105.9	101.0
ST int bear debt	1.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	0.0	0.0
Other current liabs	38.9	34.0	100.1	210.5	189.3	97.0	106.7	139.0	39.9	259.6	260.3	264.2	265.5
Non-current Liabilities	**5.8**	**7.8**	**10.3**	**13.1**	**18.9**	**23.2**	**21.7**	**16.4**	**13.9**	**9.3**	**7.9**	**6.9**	**5.3**
LT payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LT int bear debt	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other LT liabs	5.5	7.8	10.3	13.1	18.9	23.2	21.7	16.4	13.9	9.3	7.9	6.9	5.3
Total liabilities	**57.2**	**59.0**	**140.0**	**274.2**	**256.8**	**170.3**	**178.0**	**197.9**	**86.9**	**380.8**	**402.1**	**377.0**	**371.8**
Paid-in capital	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	9.0	9.0	9.0	9.0
Capital surplus	16.8	16.8	19.2	19.2	19.2	24.7	24.7	24.7	24.7	20.2	20.2	20.2	20.2
Other comprehensive	0.0	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.1)	0.1	0.1	(0.0)	(0.0)	(0.0)	(0.0)
Others	0.0	(2.4)	(0.0)	(7.1)	(7.1)	0.0	(0.0)	(16.9)	(16.9)	(16.9)	(16.9)	(16.9)	(16.9)
Retained earnings	17.3	27.8	40.3	63.3	98.0	142.1	173.2	210.3	215.9	251.7	312.5	386.9	483.4
Non-controlling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	**38.6**	**46.6**	**64.0**	**79.9**	**114.6**	**171.2**	**202.3**	**222.7**	**228.3**	**264.0**	**324.8**	**399.2**	**495.7**

Free cashflow analysis

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Net profit	**9.7**	**9.9**	**14.7**	**26.3**	**41.1**	**53.5**	**42.0**	**49.8**	**18.0**	**39.4**	**78.7**	**95.9**	**128.9**
Add non-cash expenses	**3.6**	**4.1**	**6.7**	**8.8**	**12.6**	**8.5**	**2.6**	**6.5**	**5.8**	**13.0**	**2.4**	**2.3**	**2.2**
Depreciation	0.8	1.3	1.7	2.4	2.9	3.6	4.0	4.7	4.9	5.0	6.0	6.7	6.9
Allowance for reserves	0.8	1.1	1.4	2.0	2.7	3.6	3.7	4.3	5.1	5.3	2.6	2.8	3.0
Net FX gains	0.0	0.0	0.0	(0.6)	(0.3)	(0.2)	0.8	(0.4)	(1.0)	(0.4)	(0.1)	0.3	0.2
Net eq method gains	0.0	0.0	(1.9)	(0.6)	(0.7)	2.2	0.8	0.4	1.0	2.3	2.5	2.6	2.7
Others	2.0	1.8	1.7	3.2	5.9	3.4	(3.6)	(2.5)	(4.1)	4.5	4.0	4.5	5.0
Add. Changes in OP asset &	**(14.6)**	**0.3**	**8.9**	**74.0**	**37.9**	**(94.7)**	**(8.9)**	**(29.7)**	**(26.6)**	**32.4**	**23.5**	**(24.5)**	**(62.4)**
Investment in WC	7.1	(5.5)	52.8	31.3	(58.3)	(13.0)	15.5	55.7	(78.3)	169.8	(23.5)	24.5	62.4
Others	7.5	5.2	(61.7)	(105.4)	20.4	107.7	(6.5)	(26.0)	104.9	(202.2)	0.0	0.0	0.0
Cash from operation	**(1.4)**	**14.3**	**30.3**	**109.1**	**91.6**	**(32.6)**	**35.7**	**26.6**	**(2.8)**	**84.8**	**104.6**	**73.7**	**68.6**
Subtract capital expenditure	6.9	3.6	8.4	24.3	20.6	14.1	14.3	13.7	5.1	8.8	11.0	9.8	10.4
Free cash flow	**(8.3)**	**10.7**	**21.9**	**84.8**	**71.0**	**(46.7)**	**21.3**	**12.9**	**(7.9)**	**76.0**	**93.6**	**63.9**	**58.2**
Dividend	0.0	0.7	2.2	3.2	6.4	9.4	10.9	12.8	12.4	3.5	18.0	21.5	32.3
Net investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	2.5	2.6	2.7
Share issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase in debt	1.0	(1.3)	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	(2.0)	0.0
Others	(12.5)	8.2	(2.6)	46.2	26.6	(72.3)	10.9	22.0	3.4	(2.2)	(2.5)	(5.1)	(4.4)
Net cash flow	**(9.8)**	**(0.7)**	**8.1**	**7.7**	**21.4**	**(22.0)**	**(4.3)**	**26.5**	**(9.3)**	**42.6**	**8.9**	**2.9**	**(2.4)**
Beginning cash	12.3	2.5	1.7	9.9	17.6	39.0	17.0	12.7	39.2	30.0	72.6	81.4	84.3
Ending cash	2.5	1.7	9.9	17.6	39.0	17.0	12.7	39.2	30.0	72.6	81.4	84.3	81.9

Stability Ratios

	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Current ratio	140.7	144.0	127.3	97.6	95.9	160.8	160.8	153.9	238.5	138.1	149.0	169.9	194.8
Quick ratio	3.5	2.4	6.0	6.9	17.1	7.2	5.1	14.0	17.2	14.1	13.9	13.4	11.5
Inventory holding period (days)	131.1	204.1	292.5	182.3	69.0	52.0	119.1	71.6	170.2	219.7	129.8	122.2	50.9
A/R collection period (days)	105.9	145.7	122.2	62.7	49.5	59.3	65.3	37.7	78.4	86.2	51.3	47.2	20.8
A/P period (days)	111.8	72.9	51.7	59.2	74.4	69.4	70.0	39.3	67.6	46.1	76.1	61.2	41.3
Interest bear debt (Wbn)	1.3	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	0.0	0.0
Cash & equivalents (Wbn)	20.2	20.4	42.8	78.3	116.4	132.5	132.1	113.4	95.2	185.7	261.4	304.3	331.9
Net int. bear debt (Wbn)	(18.9)	(20.4)	(42.8)	(78.3)	(116.4)	(132.5)	(132.1)	(111.4)	(93.2)	(183.7)	(259.4)	(304.3)	(331.9)
Net debt/equity (%)	(48.9)	(43.7)	(66.9)	(98.0)	(101.6)	(77.4)	(65.3)	(50.0)	(40.8)	(69.6)	(79.9)	(76.2)	(67.0)
Liability/equity (%)	148.0	126.6	218.9	343.3	224.2	99.5	88.0	88.9	38.1	144.2	123.8	94.4	75.0
Interest coverage (X)	628.2	627.1	154.9	0.0	0.0	66,734.2	0.0	605.3	160.8	405.2	938.5	2,249.7	0.0

Valuations and margins

	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
EV/EBITDA (X)	33.1	41.4	28.9	13.8	8.3	7.9	11.2	9.2	26.8	25.0	11.2	9.5	7.0
EPS (W)	1,060	1,083	1,611	2,883	4,512	5,874	4,615	5,465	1,979	2,192	4,386	5,343	7,177
EPS y-y (%)	(89.9)	2.2	48.7	78.9	56.5	30.2	(21.4)	18.4	(63.8)	10.8	100.1	21.8	34.3
PER (X)	55.9	54.7	36.8	20.6	13.1	10.1	12.9	10.9	30.0	27.1	13.6	11.3	8.4
BVPS (W)	7,927	5,119	7,021	8,766	12,575	18,792	22,208	24,446	25,060	19,509	18,091	22,233	27,610
P/BVPS (X)	7.5	11.6	8.4	6.8	4.7	3.2	2.7	2.4	2.4	3.0	3.3	2.7	2.1
Dividend (W)	75	250	350	750	1,100	1,200	1,400	1,400	400	500	1,000	1,200	1,800
Yield (%)	0.1	0.4	0.6	1.3	1.9	2.0	2.4	2.4	0.7	0.8	1.7	2.0	3.0
ROE (%)	38.5	23.1	26.5	36.5	42.3	37.5	22.5	23.4	8.0	16.0	26.7	26.5	28.8
ROA (%)	10.4	9.8	9.5	9.4	11.3	15.0	11.6	12.4	4.9	8.2	11.5	12.8	15.7
GP margin (%)	23.2	19.1	18.4	19.1	18.5	22.1	20.5	17.6	12.0	16.4	19.1	19.6	20.4
OP margin (%)	16.5	11.4	10.7	12.9	13.5	16.9	14.4	12.4	4.9	8.7	12.0	12.2	13.1
NP margin (%)	10.6	10.0	10.2	10.9	11.6	14.0	13.6	11.5	5.8	9.1	10.6	11.1	11.6
EBITDA margin (%)	17.4	12.7	11.9	13.9	14.3	17.8	15.6	13.5	6.5	9.9	12.8	13.0	13.7
ROIC (%)	130.5	37.0	50.3	203.7	(25,137.2)	265.5	59.5	42.9	8.9	27.4	96.2	105.4	89.7
WACC (%)	N/A	15.0	17.4	17.1	10.0	8.0	8.9	10.1	8.4	10.5	11.9	11.4	12.9
ROIC less WACC (%)	N/A	22.0	32.9	186.6	(25,147.2)	257.4	50.5	32.9	0.6	16.9	84.4	94.1	76.8

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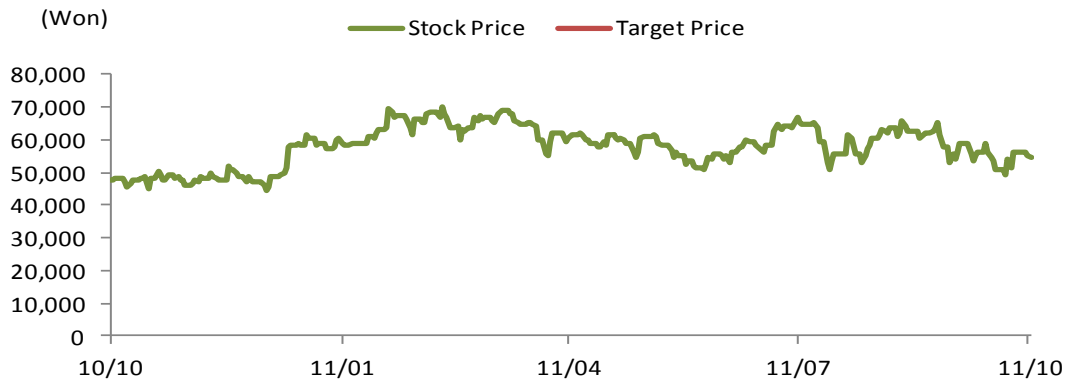
▶ Ratings and target price history in past two years

SFA (056190 KQ)	
Date	2012-01-16
Ratings	BUY
Target Price	72,500

▶ Target price changes in past two years



▶ Investment period and ratings

Company

BUY	The stock is expected to outperform the market by at least 15%p over the next 12 months.
HOLD	The stock is expected to either outperform or underperform the market by less than 15%p over the next 12 months.
SELL	The stock is expected to underperform the market by at least 15%p over the next 12 months.

Industry

OVERWEIGHT	Industry indicators are expected to outperform the market by at least 5%p over the next 12 months.
NEUTRAL	Industry indicators are expected to be in line with the market within 5%p over the next 12 months.
UNDERWEIGHT	Industry indicators are expected to underperform the market by at least 5%p over the next 12 months.

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