LEADING

Mid-Cap Research

KODI-S (080530 KQ)

May 7th, 2012

New Growth Engines–AMOLED & Electric Vehicle Charger

Analyst : Joon Mo Park
jmpark@leading.co.kr
82-2-2009-7328

R.A. : Jung Il Lee
jilee@leading.co.kr
82-2-2009-7047

Leading Traffic Light: Green

KODI-S is…

- ✓ A probe Unit (display panel inspection device) manufacturer (70% M/S in Samsung)
- ✓ Key player of the electric vehicle charger
- ✓ Entering the new display equipment business

Green light because:

- ✓ An entry into the Probe Unit market (for AMOLED line of SMD) to increase revenue
- ✓ Securing a new growth engine by launching the new display process business

Growth Potential:

- ➢ Future growth through Probe Unit's entry into the AMOLED market and the display process market by M&A (209.8% of sales growth yoy in 2012)
- ➢ Increasing sales of the energy division in 2013

Management & Shareholder Concern:

- ➢ Securing the new growth engine through development of electric vehicle chargers and display devices technologies
- ➢ Concerning damage on shareholders' value from 60% of issued BW acquired by management

Outstanding Earning:

- ➢ Increase in ROE from new business
  2011, 13.2% → 2012, 13.7% → 2013, 21.1%
- ➢ Increasing EVA by continuous investment
  2011, 6.1% → 2012, 6.1% → 2013, 11.6%

Valuation:

- ➢ Target price of W 9,400 rendered by applying PER of 10.2x
- ➢ 77.4% of upside potential from current price of W 5,300

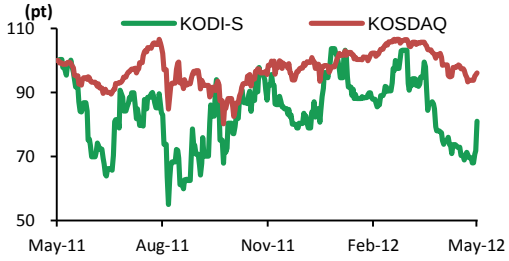
BUY

Target Price (KRW)	**9,400**
Current Price (KRW)	**5,300**
Upside Potential (%)	**77.4%**

Key Data	**May 7, 2012**
Sector	Display
KOSDAQ	490.54
Market Cap. (Wbn)	48.8
Shares Outstanding (m)	9.2
Foreign Ownership (%)	0.1%
52 Week High (KRW)	6,780
Low (KRW)	3,600
60-d avg. turnover (Wbn)	1.2
Major Shareholders	**(%)**
Chan Jung Park & Others	31.03
Corporation Own Stock Fund	1.79

Performance (%)	1M	6M	12M
Absolute	8.1	(7.5)	(19.0)
Relative	10.5	(5.1)	(15.0)

Relative Performance



CAVEAT EMPTOR!!! – Watch out for…

- ➢ A possibility of production delay in production of AMOLED for SMD TV
- ➢ A possibility of delay in construction of the EV charging infra by the government

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)
2009	25.5	41.7	5.0	19.8	4.0	815.2	110.8	6.5	4.6	31.9	1.3
2010	30.7	20.4	8.1	26.2	6.4	1,116.0	36.9	4.7	3.3	30.8	1.2
2011	25.0	(18.7)	3.4	13.7	3.4	399.0	(64.2)	13.3	10.8	13.2	1.4
2012E	77.3	209.8	5.5	7.1	4.4	476.0	19.3	11.1	7.2	13.7	1.3
2013E	97.2	25.8	10.6	10.9	8.5	919.5	93.2	5.8	4.1	21.1	1.1
2014E	121.7	30.0	13.5	11.1	10.6	1,153.3	25.4	4.6	3.2	21.6	0.9

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Key Check Points

✓ **A maker of Probe Unit, display panel inspection device, supplying to SEC (TFT LCD) and SMD (AMOLED)**

KODI-S is a manufacturer of Probe Unit (a TFT LCD inspection device) and it supplies 70% of Samsung Electronics' (SEC) needs. Although KODI-S recorded poor earnings due to the down cycle of the display industry in 2011, steady recovery is expected as SEC increases operating rate and replacement demand for Probe Unit increases. Moreover, KODI-S supplied testing samples to SMD after finishing Probe Unit development for AMLOED TV panels. Once this preparatory operation is completed by 2Q12, new source of revenue of up to W 3.5 bn is possible in Probe Unit for AMOLED from 3Q12. As such, revenue of Probe Unit is expected to increase consistently with AMOLED market expansion.

✓ **Securing new Cash Cow by the display process equipment market expansion**

KODI-S has invested continuously in the display process equipment division, e.g. AMOLED. KODI-S launched the display device business by acquiring 60.99% shares of OFT, a display process equipment manufacturer, in March, 2012. Through the acquisition of OFT, W 45.1 bn in additional revenue is expected in addition to the earnings from existing units. Therefore, revenue is expected to triple to W 77.3 bn yoy, 2012. We forecast rapid growth of KODI-S in the display equipment division as it secured an advantage of Samsung's outstanding cooperation as a Probe Unit supplier.

✓ **Benefits from the government plan for supply expansion of electric vehicle chargers**

The government plans to increase supply of electric vehicle chargers to 6,600 units in 2012 from 500 units in 2011 and further to 100,000 by 2015. Considering that KODI-S has supplied 50% of electric vehicle chargers to the government, KODI-S is expected to win at least 30% of the future contracts. Therefore, we forecast that revenue in the electronic vehicle charger division to increase from W500m in 2011 to W3.7bn in 2012 and further to W50bn annually after 2015.

✓ **Earnings to improve in 2012 – revenue to triple and OPM to increase 60% yoy**

KODI-S supplies 70% of SEC's needs for Probe Unit for TFT LCD inspection device, which accounts for 93% of the total revenue. In 2012, KODI-S launched the display equipment business for diversification and is expected to diversify the client base. Therefore, 2012 revenue is expected to triple to W77.3bn from W24.9bn yoy, and OP is expected to increase 60% to W5.5bn from W3.4bn yoy. Even though revenue contribution of the energy division such as electronic vehicle chargers and BMS (Battery Management System) is below 5%, a huge increase is expected in the future. Hence, KODI-S is able to reduce revenue volatility of single product risk associated with the Probe Unit. Also, it will secure a foundation for stable growth with a tripod of revenue sources, namely Probe Unit, display equipments, and energy related products.

✓ **Target Price W 9,400 per share from W 5,300 implies an upside potential of 77.4%**

KODI-S is expected to record 2013E ROE comparable to its peers, but its PER valuation stands undervalued at 5.1x. We applied peer PER valuation of 10.2x (an average of SFA (056190KQ) and Wonik IPS (030530KQ)) on expected to 2013F EPS of W 920 and reached the target price of W 9,400 for KODI-S. Our target price implies an upside potential of 77.4% from the current price W 5,300.

Section 1: Valuation – Target price of W9,400

Sales expanding opportunity in three major divisions, Probe Unit, Display equipment, and EV charger

We derived a fair share price of W9,400 based on the following reasons

1. **Expanding its Probe Unit market**
   - Probe Unit sales to be extended from TFT LCD to AMOLED market

2. **High expectations from starting display front-end process business**
   - Sales expected to be triple comparing to 2012
   - Potential to open AMOLED equipment division by acquiring OFT (located in Cheon-An)

3. **Increasing sales opportunity from increase in electric vehicle charger by Government policy**
   - 6,600 electric vehicle charger installation in 2012 (13times than 2011)
   - 100,000 electric vehicle charger installation in 2015 (15times than 2012)

KODI-S deserves the same valuation with other display equipment companies

Probe Unit and display equipment business are strongly correlated to the growing AMOLED market. Therefore, we believe this company deserves the same valuation to display equipment companies such as SFA(056190KQ) and WONIK IPS(030530KQ) .

Expected ROEs in 2013 are similar, KODI-S(21.1%), SFA(22.5%), WONIK IPS(21.1%). However, PER of KODI-S(5.1x) is extremely undervalued comparing to SFA(10.8x), WONIK IPS(9.7x). Indeed, we believe that giving extra premium is feasible because KODI-S has diverse growth engines such as Probe Unit and electric vehicle chargers.

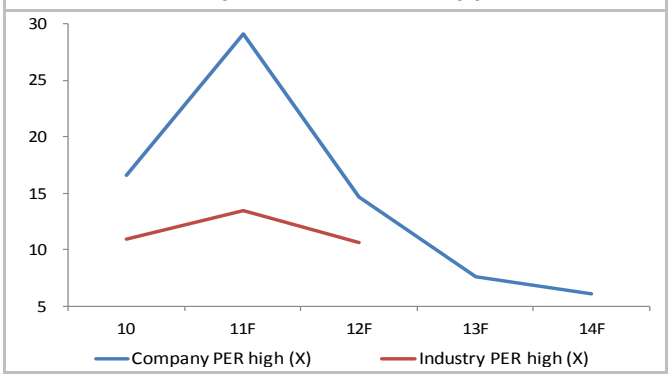
Therefore, we applied PER of 10.2x – average PER of SFA (056190KQ), WONIK IPS (030530KQ)- to derive the target price of W9,400, which is 10.2 times to 2013 EPS of 920. This implies 77.4% upside potential from the current price.

Exhibit 1. KODI-S Valuation VS. Industry Valuation

(X, %)	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012F	2013F	2014F
KODI-S year-high PER (X)								16.6	29.1	14.7	7.6	6.1
IT industry year-high PER (X)								10.9	13.5	10.6	N/A	N/A
Premium/(Discount) to IT industry %)								51.9	116.1	38.6	N/A	N/A
KODI-S year-high PER				Unlisted				16.6	29.1	14.7	7.6	6.1
Market year-high PER								16.0	11.2	10.1	8.8	7.7
Premium/(Discount) to market (%)								**3.8**	**159.6**	**44.8**	**(13.9)**	**(21.5)**

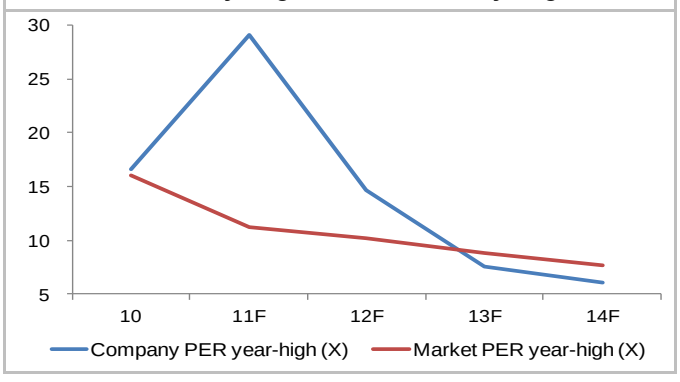
Source: Company data, Leading Research Center **Market = KOSPI + KOSDAQ,*

Exhibit 2. KODI-S yr-hi PER vs. IT industry yr-hi PER



Source:Fnguide, Leading Research Center

Exhibit 3. KODI-S yr-high PER vs. Market yr-high PER



Source: Fnguide, Leading Research Center

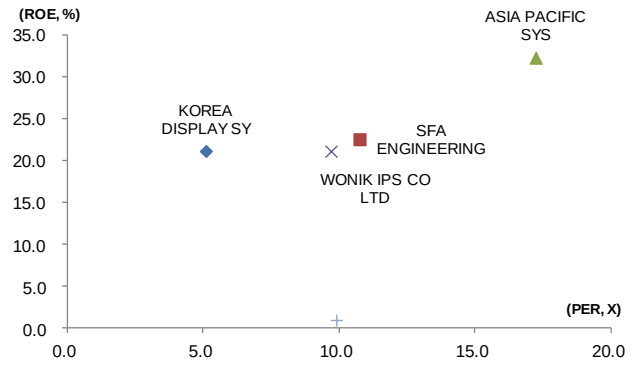
Exhibit 4. Peer Comparison

Company	Code	Country	Mkt Cap (US$ mn)	Revenue (US$ mn)				OPM (%)			
				10	11	12E	13E	10	11	12E	13E
KOREA DISPLAY SY	080530 KQ	Kor	37.4	30.7	25.0	77.3	97.2	26.2	13.7	7.1	10.9
SFA ENGINEERING	056190 KQ	Kor	883.5	365.8	680.7	783.6	934.2	8.9	12.6	12.5	12.5
ASIA PACIFIC SYS	054620 KQ	Kor	227.5	133.5	201.0	284.9	344.5	-0.9	11.9	12.3	12.0
WONIK IPS CO LTD	030530 KQ	Kor	475.2	149.7	226.3	379.8	479.6	11.0	3.4	13.6	14.8

Company	PER (X)				EV/EBITDA (X)				P/B (X)				ROE (%)			
	10	11	12E	13E	10	11	12E	13E	10	11	12E	13E	10	11	12E	13E
KOREA DISPLAY SY	4.2	11.8	9.9	5.1	3.0	9.5	6.4	3.6	1.0	1.2	1.2	1.0	30.8	13.2	13.7	21.1
SFA ENGINEERING	22.0	14.3	12.4	10.8	16.3	9.9	8.2	6.5	3.3	3.1	3.1	2.5	26.9	26.9	23.6	22.5
ASIA PACIFIC SYS		19.3	17.2	8.1	16.3	9.2	10.3	5.9	2.7	3.4	3.1	2.3	20.9	20.9	32.3	29.2
WONIK IPS CO LTD	11.0	21.8	12.4	9.7	23.4	40.5	11.7	7.1	1.5	2.9	2.1	1.6	8.5	8.5	19.0	21.1

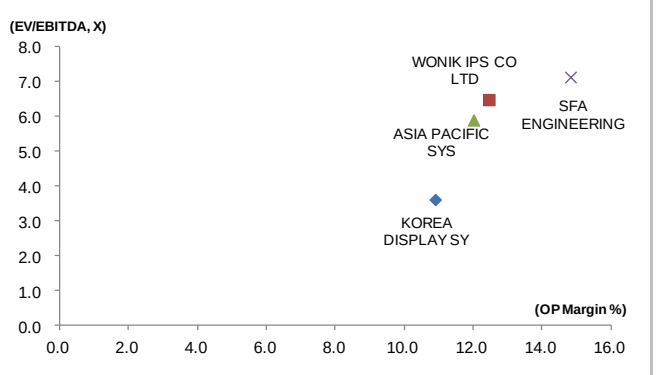
Source: Company data, Bloomberg, Leading Research Center (as of May.2, 2012)

Exhibit 5. Peer PER vs. ROE



Source: Bloomberg, Leading Research Center

Exhibit 6. Peer EV/EBITDA vs. OPM



Source: Bloomberg, Leading Research Center

Section 2: What is management philosophy?

CEO's business prowess

Ability to create business for sustained growth

The CEO Mr. Chan Jung Park majored in chemical engineering and gained business knowledge by establishing the lead battery company for electronic-power-storage in 1999. After, quickly realizing the long term growth of the TFT LCD industry, he developed LCD inspection equipments and succeeded to supply to SEC in 2003. His outstanding business ability enabled the company to increase its sales by ten times from billions of won.

Lead storage battery → Probe Unit
→Electric vehicle charger
→Display front-end equipment

Indeed, Mr. Park took over electric vehicle charger technology from Korea Electrotechnology Research Institute in 2008 when Probe Unit sales were stabilized. Then, he commercialized the technology by way of provision for the electric vehicle era. Sales are imperfect now, but we expect huge increase in sales in 2012.
Mr. Park, once more, attempts to build up the company by launching display equipment business.
By acquiring OFT, he tries to open AMOLED equipment business.

CEO holds 60% of BWs outstanding

Mr. Park owns 60% of BW (W8.5bn of W14.3bn) as follows.

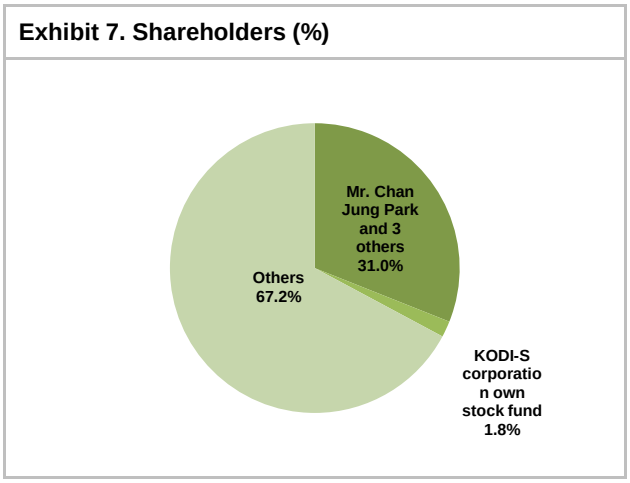
Mr. Park owning 60% of BW Warrant
->negative view in management

BW convertible to 735,294 shares (second issuance) at W4,760.
BW convertible to 1,063,829 shares (third issuance) at W4,698.
The current price (as of May 8th, 2012) is W5,300.

Such a holding implies owner's confidence in increasing the value and the share price of the company. However, an exercise of the BW by CEO would dilute EPS for the shareholders, while the CEO could realize huge financial gains. Thus, we believe an argument could be made that the CEO could pose a moral hazard.

CEO Profile

Exhibit 7. Shareholders (%)



Source: Company data, Leading Research Center

Exhibit 8. Mr. Cahn Jung Park profile

	Notes
Career	2003, CEO of KODI-S 1999, Established UNB Engineering Worked at battery division in Dongbu Steel, Kyungwon Industries
Education	Hongik University (Chemical Engineering)

Source: Company data, Leading Research Center

Section 3: Company Snapshot and operation

Revenue increase in Probe Unit and Energy division

The main product is Probe Unit which is TFT LCD inspection device supplied to SEC and SMD

KODI-S is a manufacturer of Probe Unit which is an inspection device for a wire snapping and short circuit of the pixel line after producing display panels. KODI-S supplies its entire quantity of products to SEC for 70% of its needs. Revenue of Probe Unit is expected to increase because KODI-S is supplying Probe Unit to SEC's TFT LCD line and planning to AMOLED line of SMD from the second half of 2012.

Indeed, the electric vehicle charger is the key item among diverse future growth engines of KODI-S.

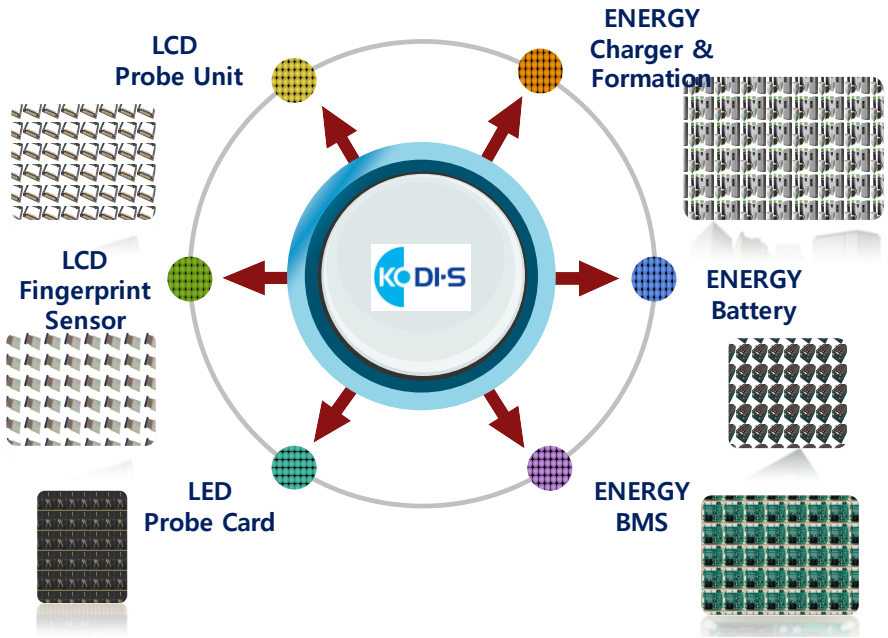
As a leading electronic vehicle battery manufacturer, revenue increase is expected due to the government's expanding plan for charger supply from 2012

The electric vehicle charger division was commercialized with a technology transfer from Korea Electrotechnology Research Institute in 2008. Under the government's supply plan, KODI-S generates revenue through participation in bids. Revenue was W500m in 2011 but is expected to increase with 13 times expanding supply plan by the government in 2012.

Moreover, KODI-S is fostering various future growth engines including the Battery Management System (BMS), lithium iron phosphate battery, and finger scan sensor. Although these units generate small revenue in the initial stage, we expect that units will be company's core business after 2013 with high growth potential.

Exhibit 9. Products

Division	Functions	Applied Products	Note
Probe Unit	Measuring TFT LCD panel snapping of a wire/short	TFT LCD, AMOLED, etc.	Supplying 70% of Samsung Electronics' needs
Electric Vehicle Battery	Charging electric vehicle battery	Electric vehicle battery	60% of domestic M/S
BMS	Electric vehicle battery management circuit	Electric vehicle battery	Developing BMS for LEO Motors and SK
Other	Probe card, LPF battery, finger scan sensor	-	Expected revenue after 2013



Source: Company data, Leading Research Center

Increasing Probe Unit demand for TFT LCD and AMOLED

Supplying Probe Unit to Samsung Electronics for its 70% of TFT LCD needs

KODI-S supplies the entire Probe Unit to SEC for 70% of its needs. Competitors, e.g. UB precision, and TSC Memsys, mainly supply to LG Display.

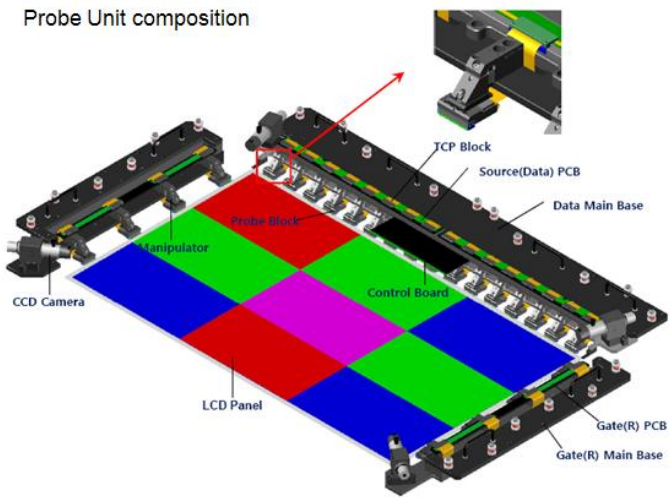
Probe Unit used for TFT LCD panel inspection before is becoming a new cash cow with increased production of AMOLED panels.

Scheduling to supply Probe Unit for AMOLED to SMD

Probe Unit development for AMOLED is completed and now KODI-S is testing a sample received from Samsung Mobile Display (SMD).

Therefore, KODI-S is expected to begin supplying Probe Unit to SMD from 3Q12 after completing sample approval. Expected revenue is W3.5bn in 2012.

Exhibit 10. Probe Unit Introduction



Source: Company data Leading Research Center

Revenue/profits surge from display equipment business

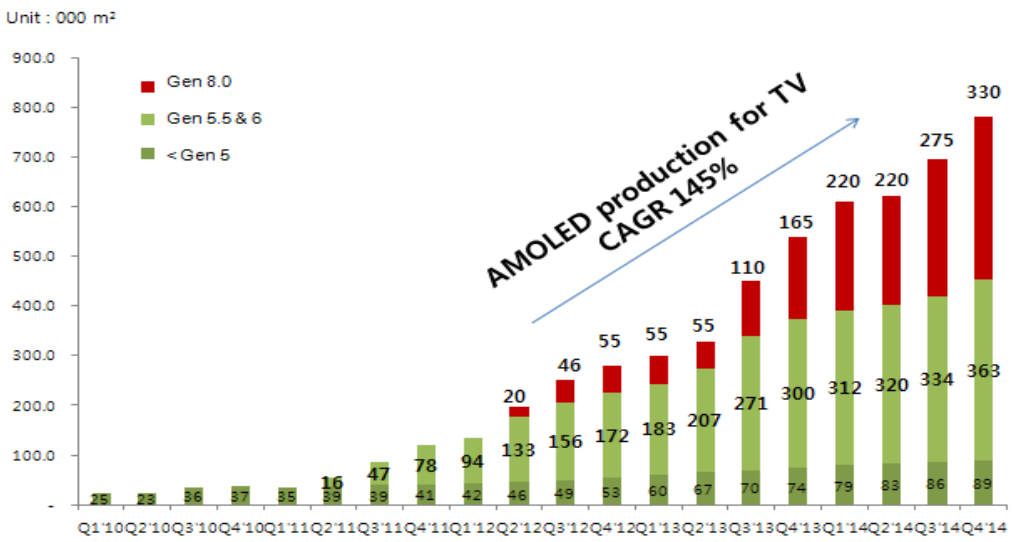
Launching the display equipment business by acquiring OFT

KODI-S launched the display equipment business by acquiring 60.99% shares of OFT in March, 2012. OFT produces production facilities for semiconductors and flat panel displays and supplies to various buyers such as SEC, SEMES, SMD, and LG Electronics. The core items are spinner system, drying system and exposure system.

Improving AMOLED equipment division with OFT which secures SMD and SEMES as buyers

KODI-S is preparing AMOLED front-end process equipment business, and OFT is securing SMD, the largest domestic AMOLED manufacturer, as a customer. The acquisition of OFT will be important groundwork for its display equipment division expansion.

Exhibit 11. AMOLED Capa forecast



Rebounding of the energy division

Number of electric vehicles is 6,600 in 2012, 13 times increase from 2011 → It will lead revenue increase of KODI-S

The electric vehicle charger unit was commercialized with a technology transfer from Korea Electrotechnology Research Institute in 2008.

The market size is yet small and influenced by the government's supply roadmap. Supply volume of the government will be expanded to 6,600 vehicles in 2012 from 500 in 2011 and to 100 thousand by 2015. Thus, revenue increase of KODI-S is expected from its high technology in terms of electric vehicle chargers

Exhibit 12. The government's plan for electric vehicle and charging station

Type		Unit	2011	2012	2013	2014	2015	2020
Electric vehicles		Thousand cars	0.8	4	13.2	35.1	85.7	1,046.2
Public charging station	Standard	station	0.4	2.7	3.1	3.8	4.5	8.0
	Rapidity	station	0.1	0.3	0.5	0.8	1.1	2.6
Business charging station	Standard	station	-	0.9	3.7	11.6	25.8	1,321.1
	Rapidity	station	-	0.1	0.4	1.3	2.9	19.6
Home charging station	Home	station	-	2.6	10.1	31.3	69.5	855.5
Total of standard/rapid chargers		station	0.5	6.6	17.8	48.8	103.8	2,206.8
Battery exchange station		station	-	-	-	60.0	185.0	3,752.0

Source: Korea Environment Corporation

Operation & Forecast

209.8% revenue increase in 2012 with client diversification

Launching the display equipment business by acquiring OFT → Revenue of display equipment is 58% of total revenue in 2012

Total revenue is expected to increase 209.9% yoy to W77.3bn.

Expected 2012 revenue in the display process division is W45.1bn with launching the display equipment business such as AMOLED by acquiring OFT. It excesses the maximum revenue of W30bn from Probe Unit for TFT LCD. Therefore, Probe Unit for TFT LCD will decrease to 34% in total revenue in 2012 from 93% in 2011. However, revenue of display equipments will share 58% of total revenue.

2011, volatility of business structure by single product sales → Successful client base diversification

Through launching the display equipment business and revenue increase from the energy division including electric vehicle charger, KODI-S is expected to complete three stable business structures ①Probe Unit, ②Display process division, and ③Energy division.

Exhibit 13. Annual earnings forecast

(Wbn,%)	2011	2012F	2013F	2014F	2012F yoy(%)	2013F yoy(%)	2014F yoy(%)
Revenue	25.0	77.3	97.2	121.7	209.8%	25.8%	25.2%
Gross profit	9.5	22.3	28.1	35.2	134.1%	26.2%	25.2%
Operating profit	3.4	5.5	10.6	13.5	60.7%	93.1%	27.5%
Profit before taxes	3.5	5.6	10.9	13.6	62.6%	93.2%	25.5%
NP	3.4	4.4	8.5	10.6	27.1%	93.2%	25.5%
EPS	399	476	919	1,153	19.3%	93.2%	25.5%
OPM (%)	13.4%	7.1%	10.9%	11.1%			
NPM (%)	13.8%	5.7%	8.7%	8.7%			

Source: Company data, Leading Research Center

Overhang issue

24.8% of 2013F EPS decrease due to the not exercised BW of W 14.3 bn

Not exercised BW of W4.3bn (issued Dec 2010) and newly issued BW of W10m (issued Apr, 2012) are remained as overhang issue.

Assume the remaining first issuance BW of W4.3bn are exercised in 2012, 2012F EPS will drop by 8%. If newly issued BW of W10.0bn is exercised in 2013 as well, 2013F EPS will drop by 24.8%.

Issuing BW would bring enough funds for future growth and increase the revenue as well.
-> watching the company with the feeling of expectancy

However, we rather view this overhang issue positive because issuing BW is purposes of securing enough funds for display equipment business or other businesses for the future. Through these kinds of funding activities, we believe the sales and operating profit will be maximized.

Exhibit 14. Outstanding BW and number of shares exercisable

Type	Issuance date	Expiration date	Face Value (Wbn)	Exercise period	Exercise price	Remaining value (Wbn)	No. share exercisable(k)
Bond with warrant	2010.12.17	2015.11.17	7.0	2011.12.17~2015.11.27	4,760	4.3	903
Bond with warrant	2012.04.30	2017.03.30	10.0	2013.04.30~2017.03.30	4,698	10.0	2,129
			17.0			**14.3**	**3,032**

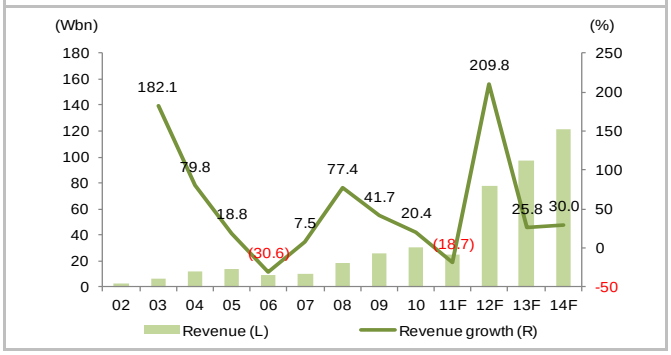
Source: Company data, Leading Research Center

Exhibit 15. Dilution in EPS and PER after BWs are exercised

	2012F	2013F	2014F
Outstanding shares	9,207.2	9,207.2	9,207.2
No. shares exercisable	903.4	3,031.9	3,031.9
Total shares outstanding	10,110.6	12,239.2	12,239.2
EPS	476	920	1,153
PER	11.1	5.8	4.6
Fully diluted EPS	434	692	868
% dilution	(8.9)	(24.8)	(24.8)
Fully diluted PER	12.2	7.7	6.1

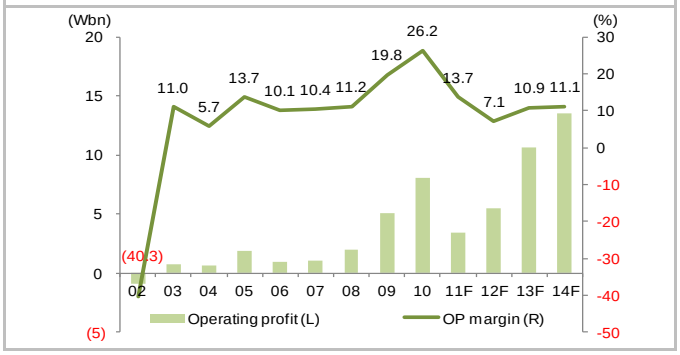
Source: Company data , Leading Research Center

Exhibit 16. Revenue and Growth trend



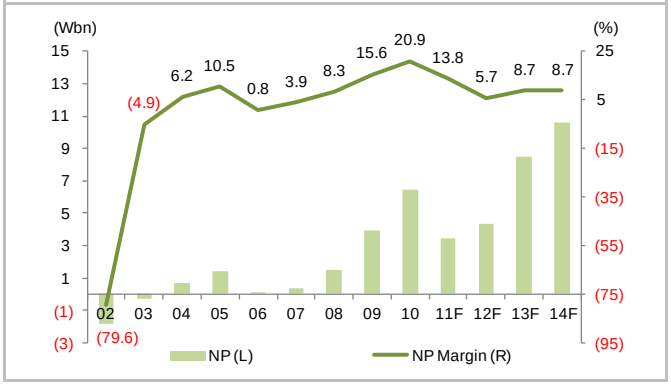
Source: Company data, Leading Research Center

Exhibit 17. Operating profit and OPM trend



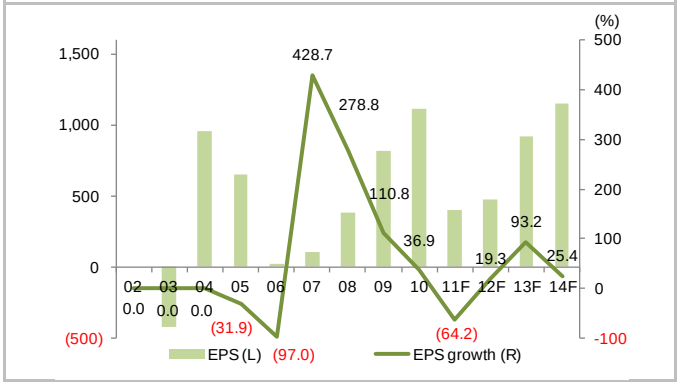
Source: Company data, Leading Research Center

Exhibit 18. Net profit and NP margin trend



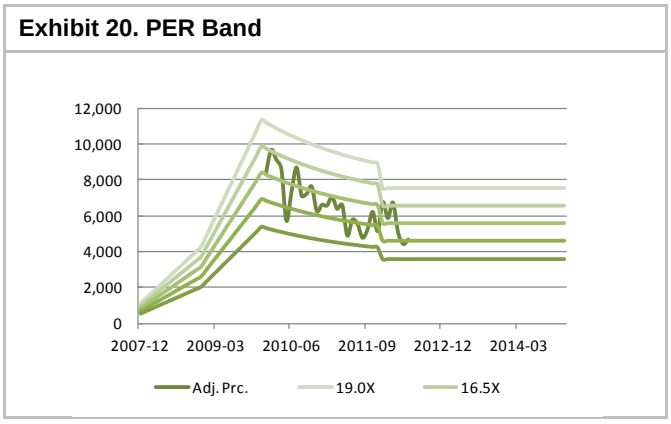
Source: Company data, Leading Research Center

Exhibit 19. EPS and EPS growth



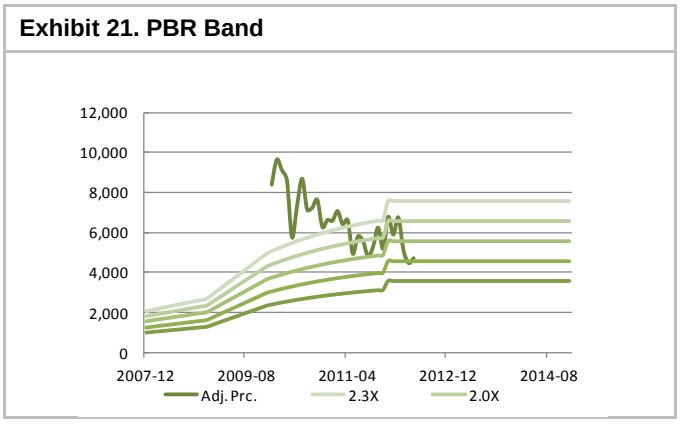
Source: Company data, Leading Research Center

Exhibit 20. PER Band



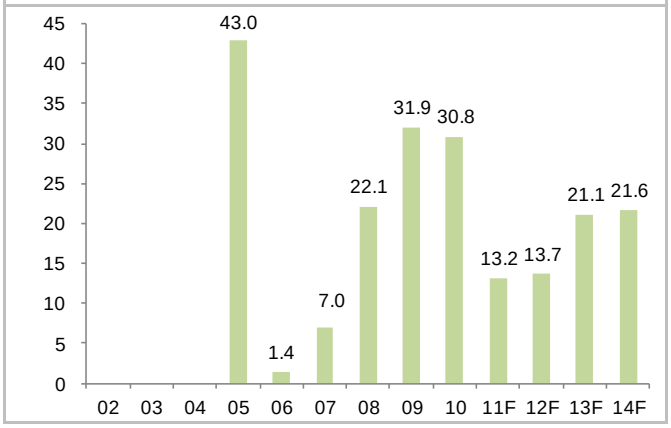
Source: FnGuide

Exhibit 21. PBR Band



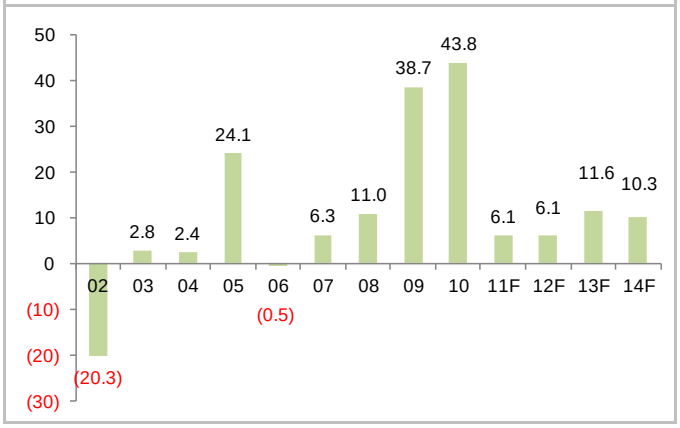
Source: FnGuide

Exhibit 22. ROE (%)



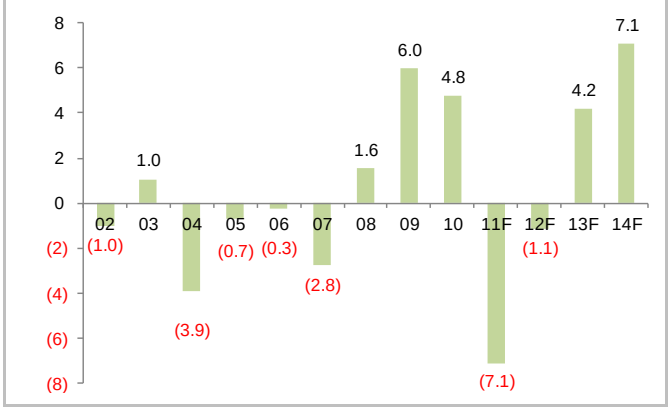
Source: Company data, Leading Research Center

Exhibit 23. ROIC less WACC (%)



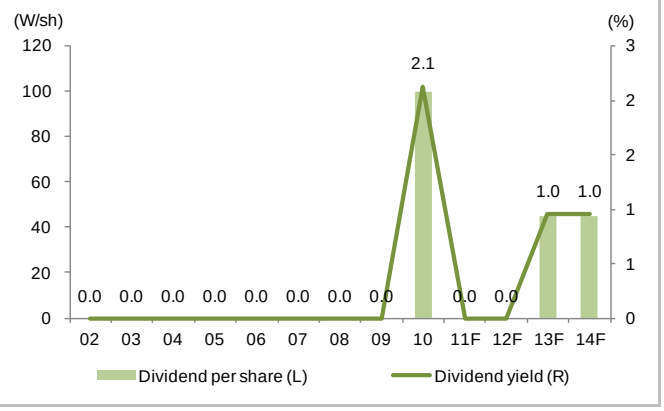
Source: Company data, Leading Research Center

Exhibit 24. Free Cash Flow trend (Wbn)



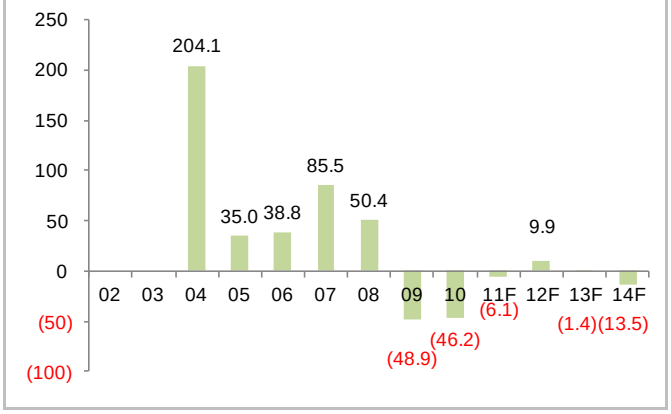
Source: Company data, Leading Research Center

Exhibit 25. Dividend per share and yield trend



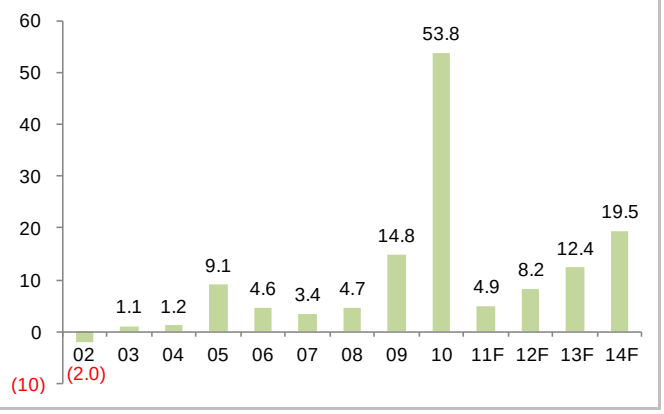
Source: Company data, Leading Research Center

Exhibit 26. Net debt/equity ratio (%)



Source: Company data, Leading Research Center

Exhibit 27. Interest coverage (X)



Source: Company data, Leading Research Center

Financial Statement

Income statement

(Wbn)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F	2013F	2014F
Revenue	**2.3**	**6.4**	**11.5**	**13.6**	**9.4**	**10.2**	**18.0**	**25.5**	**30.7**	**25.0**	**77.3**	**97.2**	**121.7**
% chg yoy	20.8	(60.5)	182.1	79.8	18.8	(30.6)	7.5	77.4	41.7	20.4	(18.7)	209.8	25.8
COGS	2.6	5.2	9.1	9.5	6.4	7.0	12.6	17.2	17.3	15.4	55.0	69.1	86.5
Gross profit	**(0.3)**	**1.2**	**2.3**	**4.1**	**3.0**	**3.1**	**5.4**	**8.3**	**13.4**	**9.5**	**22.3**	**28.1**	**35.2**
GP margin (%)	(15.1)	18.9	20.4	30.2	32.0	31.0	29.8	32.5	43.7	38.1	28.8	28.9	28.9
SG&A	**0.6**	**0.5**	**1.7**	**2.3**	**2.1**	**2.1**	**3.3**	**3.2**	**5.4**	**6.1**	**16.8**	**17.5**	**21.7**
Operating income	**(0.9)**	**0.7**	**0.7**	**1.9**	**1.0**	**1.1**	**2.0**	**5.0**	**8.1**	**3.4**	**5.5**	**10.6**	**13.5**
OP margin (%)	**(40.3)**	**11.0**	**5.7**	**13.7**	**10.1**	**10.4**	**11.2**	**19.8**	**26.2**	**13.7**	**7.1**	**10.9**	**11.1**
Net other income	0.2	(0.1)	2.6	0.0	(0.2)	0.0	(0.3)	0.2	0.3	(0.1)	0.4	0.6	0.6
Reported OP	**(0.9)**	**0.7**	**0.7**	**1.9**	**1.0**	**1.1**	**2.0**	**5.0**	**8.1**	**3.3**	**5.5**	**10.6**	**13.5**
Net equity method gains	(0.6)	(0.1)	(1.3)	(0.0)	(0.2)	(0.2)	(0.1)	(0.2)	0.1	0.1	0.0	0.0	0.0
Financial income	0.0	0.0	0.0	0.0	0.0	0.1	0.6	0.3	0.2	0.7	0.4	0.5	0.2
Financial expenses	0.5	0.8	0.6	0.2	0.2	0.5	0.5	0.7	0.6	0.7	0.7	0.9	0.7
Income before tax	(1.8)	(0.3)	1.3	1.7	0.4	0.5	1.7	4.6	8.1	3.5	5.6	10.9	13.6
Income tax	0.0	0.0	0.6	0.3	0.3	0.1	0.2	0.7	1.7	0.0	1.2	2.4	3.0
Tax rate (%)	0.0	0.0	0.5	0.1	0.8	0.0	0.1	0.1	0.2	0.0	0.2	0.2	0.2
Net profit	**(1.8)**	**(0.3)**	**0.7**	**1.4**	**0.1**	**0.4**	**1.5**	**4.0**	**6.4**	**3.4**	**4.4**	**8.5**	**10.6**
Controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4	8.5	10.6
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 inc	(1.8)	(0.3)	0.7	1.4	0.1	0.4	1.5	4.0	6.4	3.4	4.4	8.5	10.6

Balance sheet

(Wbn)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F	2013F	2014F
Current assets	**0.9**	**0.8**	**4.9**	**4.5**	**4.7**	**5.5**	**7.3**	**15.4**	**22.6**	**23.8**	**41.6**	**50.3**	**52.7**
Cash & equivalents	0.0	0.0	0.0	0.5	0.8	1.2	0.9	6.3	3.0	4.3	9.4	10.7	11.4
ST financial assets	0.0	0.0	0.3	0.5	1.1	0.1	2.0	6.4	14.5	13.3	12.9	15.6	11.5
Accounts receivables	0.2	0.5	2.9	1.5	1.3	1.6	0.9	1.4	3.3	3.6	8.2	10.1	12.7
Inventory	0.5	0.3	1.6	2.0	1.6	2.6	3.2	1.0	1.7	2.2	11.0	13.7	16.9
Others	0.2	(0.0)	0.1	(0.0)	(0.0)	0.1	0.4	0.2	0.1	0.4	0.1	0.2	0.1
Non-current assets	**9.5**	**9.6**	**3.2**	**5.2**	**5.9**	**8.3**	**9.4**	**9.5**	**12.7**	**22.5**	**31.8**	34.0	35.0
Fixed assets	1.5	1.4	1.8	2.7	3.7	5.4	5.7	6.7	7.2	14.9	18.6	20.6	21.8
LT financial assets	0.0	0.0	0.1	0.4	0.3	0.3	0.6	0.0	2.2	1.2	0.4	0.4	0.3
Inv in related co's	7.9	7.8	0.0	0.1	1.1	1.0	1.2	0.9	1.0	1.6	8.3	8.6	8.8
Inv in joint ventures	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
Others	0.1	0.3	1.3	2.0	0.8	1.6	2.0	1.9	2.2	4.8	4.5	4.3	4.0
Total assets	**10.5**	**10.4**	**8.2**	**9.8**	**10.7**	**13.8**	**16.7**	**24.9**	**35.3**	**46.4**	**73.4**	**84.2**	**87.7**
Current liabilities	**9.5**	**11.4**	**6.7**	**4.4**	**3.0**	**6.3**	**7.0**	**7.5**	**4.4**	**18.2**	**27.1**	**29.6**	**21.7**
Accounts payables	0.2	0.8	2.9	1.0	0.5	0.7	1.7	1.7	1.8	1.5	8.6	9.8	12.3
ST financial liabilities	9.2	10.2	3.1	2.9	1.9	4.8	4.7	4.4	0.0	15.9	15.9	15.9	4.9
Others	0.2	0.4	0.8	0.6	0.7	0.8	0.6	1.4	2.5	0.9	2.6	3.9	4.5
Non-current liabilities	**1.6**	**0.0**	**0.0**	**0.1**	**2.3**	**1.6**	**2.1**	**0.2**	**6.5**	**0.2**	**10.2**	**10.2**	**10.2**
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 financial liabilities	1.4	0.0	0.0	0.0	2.1	1.5	2.1	0.0	6.2	0.0	10.0	10.0	10.0
Others	0.2	0.0	0.0	0.1	0.2	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Total liabilities	**11.1**	**11.4**	**6.8**	**4.5**	**5.3**	**7.9**	**9.1**	**7.7**	**10.8**	**18.4**	**37.3**	**39.8**	**31.9**
Paid-in capital	0.7	0.7	1.0	1.3	2.3	2.3	2.3	2.8	2.9	4.3	5.8	5.8	5.8
Capital surplus	0.2	0.2	1.5	2.5	1.7	1.7	1.7	6.9	7.6	6.0	8.3	8.3	8.3
Other comprehensive income	0.0	0.0	0.0	(0.0)	(0.0)	0.1	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Other capital adjustments	(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
Retained earnings	(1.5)	(1.8)	(1.1)	1.4	1.4	1.8	3.2	7.1	13.6	17.2	21.6	29.6	39.8
Non-controlling interest	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's equity	**(0.6)**	**(0.9)**	**1.4**	**5.3**	**5.4**	**5.9**	**7.6**	**17.2**	**24.5**	**27.9**	**36.0**	**44.1**	**54.3**

Free cashflow analysis

(Wbn)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F	2013F	2014F
Net profit	**(1.8)**	**(0.3)**	**0.7**	**1.4**	**0.1**	**0.4**	**1.5**	**4.0**	**6.4**	**3.4**	**4.4**	**8.5**	**10.6**
Adj. for non-cash exp.	**0.7**	**0.6**	**(0.6)**	**0.5**	**0.9**	**1.1**	**1.0**	**0.9**	**1.2**	**1.1**	**1.0**	**1.1**	**1.0**
Depreciation	0.2	0.1	0.2	0.3	0.4	0.6	0.4	0.5	0.9	0.6	1.1	1.2	1.3
Provision for reserves	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
Net FX gains	(0.1)	(0.3)	0.0	(0.0)	(0.0)	(0.0)	(0.5)	0.1	0.4	0.0	0.0	0.0	0.0
Net eq method gains	(0.6)	(0.1)	(1.3)	(0.0)	(0.2)	(0.2)	(0.1)	(0.2)	0.1	0.1	0.1	0.1	0.1
Others	(0.2)	0.1	(2.3)	0.0	0.2	0.2	(0.2)	0.2	0.5	0.3	0.3	0.4	0.6
Chg in op assets & liab	**0.3**	**0.8**	**(3.9)**	**(1.0)**	**0.3**	**(1.2)**	**0.3**	**2.6**	**(1.3)**	**(2.2)**	**(5.0)**	**(2.1)**	**(2.0)**
Incr in WC (decr)	(0.2)	(0.4)	1.7	0.8	(0.1)	1.0	(1.1)	(1.8)	2.6	1.1	6.2	3.4	3.4
Others	(0.1)	(0.4)	2.2	0.1	(0.2)	0.2	0.8	(0.9)	(1.3)	1.1	1.2	1.3	1.4
Cash from operations	**(0.8)**	**1.1**	**(3.7)**	**0.9**	**1.2**	**0.3**	**2.8**	**7.5**	**6.3**	**2.4**	**0.4**	**7.4**	**9.6**
Capital expenditures	0.2	0.1	0.2	1.6	1.5	3.0	1.3	1.5	1.6	9.5	1.5	3.2	2.5
Free cash flow	**(1.0)**	**1.0**	**(3.9)**	**(0.7)**	**(0.3)**	**(2.8)**	**1.6**	**6.0**	**4.8**	**(7.1)**	**(1.1)**	**4.2**	**7.1**
Dividend	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.6	0.0	0.0	0.4
Incr in investment assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	6.7	0.0	0.0
Share issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0
Increase in debt	8.5	(0.3)	(7.1)	(0.2)	1.1	2.3	0.4	(2.3)	1.9	9.6	10.0	0.0	(11.0)
Others	8.1	0.7	(5.7)	(1.6)	(0.1)	0.0	2.7	(5.9)	1.5	0.8	(2.0)	0.0	0.0
Net cash flow	**(0.2)**	**0.0**	**0.0**	**0.4**	**0.3**	**0.3**	**(0.3)**	**5.5**	**(3.3)**	**4.4**	**7.0**	**1.3**	**0.7**
Beginning cash	0.2	0.0	0.0	0.0	0.5	0.8	1.2	0.9	6.3	0.0	2.4	9.4	10.7
Ending cash	0.0	0.0	0.0	0.5	0.8	1.2	0.9	6.3	3.0	4.3	9.4	10.7	11.4

Stability ratios

Year-end 31 Dec (Wbn)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F	2013F	2014F
Current ratio	9.8	7.3	73.0	102.7	158.0	87.8	104.2	205.8	518.4	130.6	153.4	169.9	243.1
Quick ratio	1.0	0.3	1.0	11.2	17.2	21.0	11.6	41.3	13.4	18.2	22.6	21.3	21.6
Inv. holding period (d)	53.8	67.9	72.7	68.8	117.1	150.7	60.6	28.7	41.8	156.2	81.8	36.1	35.7
A/R collection period (d)	59.2	98.3	70.9	38.2	57.0	44.5	22.5	33.5	41.2	86.5	43.2	18.9	N/A
A/P period (days)	22.5	36.3	63.5	71.0	43.9	26.1	33.2	42.4	36.2	38.3	29.0	46.9	44.9
Interest bear debt (Wbn)	10.5	10.2	3.1	2.9	3.9	6.3	6.7	4.4	6.2	15.9	25.9	25.9	14.9
Cash & equivalents (Wbn)	0.0	0.1	0.3	1.0	1.9	1.3	2.9	12.8	17.5	17.6	22.3	26.3	22.9
Net int. bear debt (Wbn)	10.5	10.2	2.8	1.8	2.1	5.0	3.8	(8.4)	(11.3)	(1.7)	3.6	(0.4)	(8.0)
Net debt/equity (%)	(1,670.3)	(1,081.1)	204.1	35.0	38.8	85.5	50.4	(48.9)	(46.2)	(6.1)	9.9	(1.0)	(14.8)
Liability/equity (%)	(1,768.0)	(1,211.0)	498.7	85.6	98.8	134.2	119.6	44.5	44.3	66.0	103.6	90.3	58.7
Interest coverage (X)	(2.0)	1.1	1.2	9.1	4.6	3.4	4.7	14.8	53.8	4.9	8.2	12.4	19.5

Valuations and margins

(Wbn)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F	2013F	2014F
EV/EBITDA (X)	(15.2)	16.8	6.6	5.9	14.6	12.4	8.5	4.6	3.3	10.8	7.2	4.1	3.2
EPS (W)	N/A	(425)	957	652	19	102	387	815	1,116	399	476	920	1,153
EPS yoy chg (%)	N/A	N/A	N/A	(31.9)	(97.0)	428.7	278.8	110.8	36.9	(64.2)	19.3	93.2	25.4
PER (X)	N/A	N/A	5.5	8.1	274.5	51.9	13.7	6.5	4.7	13.3	11.1	5.8	4.6
BVPS (W)	(2,510)	(2,553)	1,849	3,601	1,778	1,527	1,974	3,947	4,603	3,878	4,037	4,787	5,895
P/BVPS (X)	N/A	N/A	2.9	1.5	3.0	3.5	2.7	1.3	1.2	1.4	1.3	1.1	0.9
Dividend/sh (W)	0	0	0	0	0	0	0	0	100	0	0	45	45
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0	0.8	0.8
ROE (%)	N/A	N/A	N/A	43.0	1.4	7.0	22.1	31.9	30.8	13.2	13.7	21.1	21.6
ROA (%)	(26.2)	(3.0)	7.6	15.9	0.7	3.2	9.8	19.1	21.4	8.4	7.3	10.8	12.5
GP margin (%)	(15.1)	18.9	20.4	30.2	32.0	31.0	29.8	32.5	43.7	38.1	28.8	28.9	28.9
OP margin (%)	(40.3)	11.0	5.7	13.7	10.1	10.4	11.2	19.8	26.2	13.7	7.1	10.9	11.1
NP margin (%)	(79.6)	(4.9)	6.2	10.5	0.8	3.9	8.3	15.6	20.9	13.8	5.7	8.7	8.7
EBITDA margin (%)	(30.5)	13.2	8.9	16.7	15.3	17.1	14.0	22.4	30.0	17.3	8.9	12.5	12.5
ROIC (%)	(14.6)	7.4	5.2	28.1	2.7	11.5	16.0	42.6	58.2	17.3	13.0	19.9	23.3
WACC (%)	5.8	4.5	2.8	4.0	3.2	5.2	5.0	3.9	14.3	11.2	6.9	8.3	13.0
ROIC less WACC (%)	(20.3)	2.8	2.4	24.1	(0.5)	6.3	11.0	38.7	43.8	6.1	6.1	11.6	10.3

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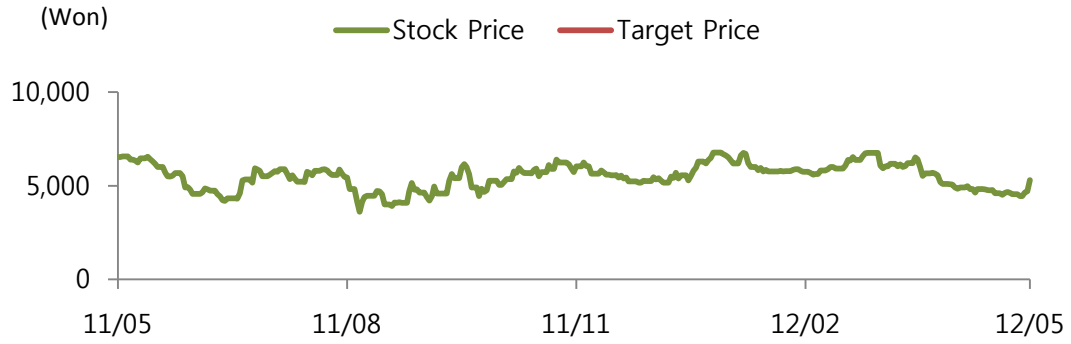
▶ Ratings and target price history in past two years

KODI-S (080530 KQ)	
Date	2012-05-07
Rating	BUY
Target Price	9,400

▶ 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 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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