

하이소닉 - 106080

Courtesy: Dongbu Securities

HiSonic has manufactured VCM technology auto-focusing actuators, a critical piece for camera phones. The number of AFA pieces will grow in-line with the smart phone market to 850 million units (37% YoY growth) and the co. will construct 2 factories in the Philippines by November. Post completion, the number of units produced per month will increase from 4 MM units to 14 MM units, producing more than Japan's Mizumisa (12 MM units/month), becoming the top manufacturer in the world.

AFA business is more about production capability than the newest technology. Japanese companies who were #2 and 3 in the world, Shico and Sanco, faced labor cost litigation in China and logistical issues, stalling growth from the corporate level, leading to a short supply of the AFA parts for smart phone manufacturers. An estimated 990 MM parts will be needed in 2013 but the current capacity is only 780 MM. The supply shortage will extend to 2014. So with the added production capacity, HiSonic's market share is anticipated to increase from 4.6% in 2012 to 8.0% in 2013.

In the past, a high concentration of sales (69% in 2011) were derived from LG and Pantech. However, the co. successfully diversified their client base so that now Samsung Electronics (27%), Sony (21%) and other companies constitute a large portion of sales.

Inclusive of new order bookings, the analyst anticipates revenues to reach 104B KRW (91%YoY), and EBIT at 10B KRW (65% YoY). Moahtech (모아택), the mother co., acquired Japanese co., Minebeasa (parts supplier to Nokia and Apple), thereby securing further revenue channels for the co. Second, as the VCM technology enters the 13 megapixel market, the cheaper technology will fuel much more attention than the encoding method.

With 2012 P/E at 8.5x and 2013E at 5.4x, the stock is trading at low multiples.