

Name	Hysonic	Number of Shares	10,543,000
Ticker	106080	Market Cap	81,181,100
Market Price	7.70	Cash	9,200,000
Target Market Price	7.70	Debt	0
App./(Dep.)	0.00%	Net Cash	9,200,000
Sellside Target	81,181,100		
		Enterprise Value	71,981,100
		EBITDA	3,000,000
		EV/EBITDA	23.99

*Figures converted using USDKRW 1000 FX rate.

Business Overview

The Co. makes actuators used in smartphone cameras and it helps to stabilize the camera hardware. The Co. built 2 factories in the Phillipines and expects larger customer orders from the domestic handset manufacturers due to acquisition of new customers like Sony Ericsson. The headquarters is situated in Hanyang University's Ansan campus, which is on the outskirts of Seoul, yet within proximity of the Incheon harbor and a quick drive to Seoul.

Shareholder

Moatech owns 33.56% and the CEO and other executives own another 8%. 2,100 other investors own 40.6% of the outstanding shares. The relationship with Moatech is key. We have written a separate report for Moatech.

Subsidiaries

The Co. owns 1 subsidiary – Hysonic Phillipines. 17BB KRW in assets, -1.2BB in earnings.

Cash flow

Op. Cash flow is 2BB and cap ex is difficult to categorize, but we estimate about 3BB, so 0% FCF/Price yield. 2012 FY numbers reflect 50BB KRW in revenue, 20% GM, 15% EBIT, 6% NI. The Co. is still growing sales so the margins are subject to variations, as demonstrated by the recent quarterly figures. The Co. reported negative earnings and negative operating cash flow.

Dividend

Co. pays out zero dividend.

Valuation

Net tangible book value, excluding cash, is near 35BB KRW. Add on top of this 8 years of op. cash flow and you have 35BB KRW, which is 43% of market value. This stock is overpriced with low cash flow,

Summary

Co. is still in the growth phase, and we believe will grow with the smartphone industry. However, as reflected in the slim Gross margins, the products can quickly become commoditized and unless the R&D accommodates the rapid technology advancement within the space, we are hesitant to forecast a sustainable cash flow growth.