

**Hysonic (106080)**

Name	HYSONIC Co., Ltd.	Cash	2,790,000
Ticker	106080	Debt	3,950,000
Market Price	7.33	<b>Net Cash</b>	<b>(1,160,000)</b>
Number of Shares	10,643,911		
<b>Market Cap</b>	<b>78,019,868</b>	<b>Enterprise Value</b>	<b>79,179,868</b>
		EBITDA	N/A
		EV/EBITDA	N/A



\*All monetary figures converted KRW to USD using a USDKRW FX rate of 1,000. Stock chart extracted from Daum Finance

**Cash flow**

They aren't necessarily investing a lot in plant expansion, or cap ex items. They seem to be slim on cash flow and require cash injections to grow their business. As a result, the co. had to issue 10BB in new shares.

**Valuation**

Net tangible book value, excluding cash, is near 23BB KRW (subsequent financial figures are in KRW), so only need to account for the additional 55BB through annual cash flows. This is the tricky part. We don't know how much cash flow this co. will generate, especially with the recent GAAP to IFRS transition Revenue grew 74% YoY, from 28BB to 49BB and annual SG&A costs running at 5BB. With GM at 10% and the most current year revenue at 50BB, that's 5BB in Gross margin, which will offset the seemingly fixed 5BB KRW SG&A. Any additional revenue above the 50BB mark is extra gravy that will flow down to the bottom line. The co. has a healthy cash+short investment balance of 13BB, although we only accounted for cash in our enterprise value calculation. At the present, the co. is overpriced by 30BB, but the co. is growing rapidly. **We would value the business at 50BB KRW at present.**

**Business Overview**

They primarily manufacture actuators used in the cameras for mobile phones. The actual product is a low margin business with GM at 10%, so although it is a component used in the tech business, the co. has a commoditized product line. The co. has a manufacturing plant in the Phillipines. We are bullish on their increasing utilization rate from 66% to 77%, while increasing the capacity for actuators from 34MM to 48MM. The business is highly dependent on the growth of the mobile, in particular smartphone, market.

They sell the actuators primarily targeted where the end customers are overseas, with 85% of sales going overseas. The main customers are domestic firms such as Samsung, LG, and few other module assemblers. Also, they have grown the domestic end customer business from less than 1BB, to 7.5BB in the past 2 years. Developing DSLR business, but it is too small to mention at this stage in the game.

The co. owns a portfolio of 52 patents. They are trying to enter the Japanese market and have a working relationship with Sony Ericsson.