

Sung Nam
 August 14, 2013

Name	Samick Instrument	Number of Shares	70,530,000
Ticker	002450	Market Cap	140,707,350
Market Price	2.00	Cash	56,000,000
SNV Opinion:	NEUTRAL	Debt	157,000,000
5 Yr Target Price:	3.20	Net Cash	-101,000,000
Implied IRR:	9.91%	Enterprise Value	241,707,350
		EBIT	12,000,000
		EV/EBIT	20.14

*Figures converted using USDKRW 1000 FX rate.

Business Overview

Samick makes and sells pianos, guitars.

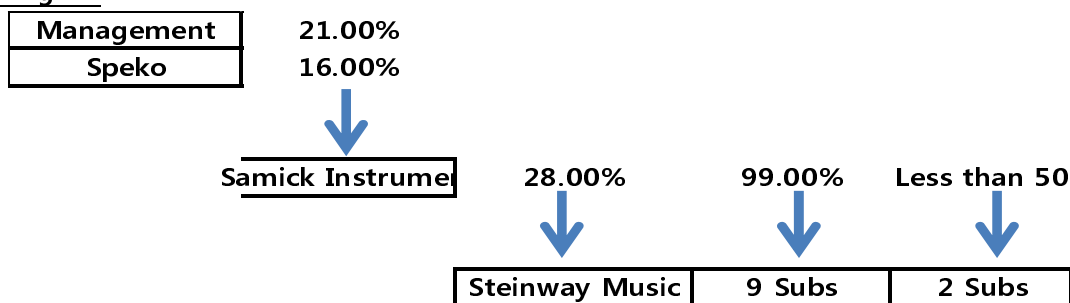
Shareholder

Management owns 21% of the shares. Speko 스펀코 owns 16%. 7964 shareholders own 47%.

Subsidiaries

Owns 11 subs that are all related to music. Namely, they own 28% of Steinway Music which has increased \$70MM in value in the past 2 months.

Holdings Diagram



Cash flow

Op. Cash flow is 10BB and cap ex is difficult to categorize, but we estimate about 5BB, so 3.5% FCF/Price yield. 2012 FY numbers reflect 155BB KRW in revenue, 30% GM, 8% EBIT, 5% NI.

Dividend

Co. pays out zero dividends.

Valuation

Net tangible book value, excluding cash, is near 145BB KRW. Add on top of this 8 years of op. cash flow and you have 225BB KRW, which is 160% of market value. 100% downside protection.



Samick stock pops June 30th



Steinway Music moves up late May and July 1st

Summary

The big story is Samick's 28% share of Steinway Music (LVB). The Co's share of Steinway Music back in May was \$74. Now it is \$140MM, or a \$65MM gain. The Co's market share was at \$80MM, but has climbed to \$140MM, thus reflecting the gain in value of the Steinway Music share. There was definitely an arbitrage opportunity from late May to late June, as the Co's holding value in Steinway Music should have increased \$30MM in value, but was not reflected in the Co's market cap. Again, this theme within the Korean stock market of cross holding discounts is reflected here. We are neutral on the stock. The Co. is too leveraged in our opinion, relative to other Korean stocks.

SN Valuation Korean Portfolio

As of 2013-08-14

Buy

Name	Ticker	Market Price*	Entry Price	Date	Gain/(Loss)
Idis Holdings	054800	15.15	13.00	07/16/2013	16.54%
Moatech	033200	3.60	3.61	07/12/2013	-0.28%
Danawa	119860	9.65	9.38	07/22/2013	2.88%
Kishin Elec.	092440	8.05	6.64	07/23/2013	21.23%
BYC	001460	193.00	196.50	07/29/2013	-1.78%
Korea Exp. Exc.	002200	26.05	25.90	07/31/2013	0.58%
Biosmart	038460	2.35	2.58	08/01/2013	-8.91%
Chungdam	096240	15.60	15.20	08/01/2013	2.63%

Average Total Return

4.11%

Follow

Name	Ticker	Market Price*	Entry Price	Date	Gain/(Loss)
China King	900120	2.54	2.30	07/17/2013	10.22%
Silla Trading	004970	27.80	29.70	08/05/2013	-6.40%

*Intraday Market Price