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NR

Current price ( 08/21) 21,250 KRW

Key Data ( Date : 08.21.2019)

KOSPI (pt)	1965
KOSDAQ (pt)	616
Face value ( won )	500
Market capitalization (billion won )	377
52 week high / minimum ( won )	29,500 / 11,200
52 weeks days Beta	1.35
Shares Outstanding ( thousand shares )	17745
Average trading volume ( 3M, thousand shares )	470
Average trading volume ( 3M, million won )	11027
Dividend yield ( 19F,%)	1.4
Foreign ownership (%)	14.9
Major Shareholder Ownership (%)	
Mindonguk & others	27.1

Company Performance

Price performance (%)	1M	3M	6M	12M
Absolute Return	-3.4	-2.1	35.4	98.0
KOSPI outperform	5.2	10.4	52.9	119.7

Financial Data

FY ( 12 Mon )	2017A	2018A	2019F
Sales ( one billion won )	668	697	1243
Operating profit ( one billion won )	20	41	100
Pre-tax income from continuing operations ( billion won )	-1	43	98
Net income ( billion won )	-1	30	66
EPS (won)	-66	2163	4658
Growth rate (%)	-	-	115.3
PER (times)	-	6.0	4.6
ROE (%)	- 1.1	26.2	40.4
PBR (times)	2.2	1.7	1.9
EV/EBIDTA(times)	5.9	2.7	2.8

Source : DataGuide

## Earnings growth without hesitation

### • Company overview

MCNEX is a camera module manufacturer for mobile and automotive devices established in 2004. The main products are smart phones camera module and an actuator , automobile camera module , biometric identification module ( fingerprint , iris recognition ), and others. As of 2018, percentage of sales for each application is 83% for Smartphones and 15% for cars.

### • Demand for multi-cameras is growing because of mid- and low-priced strategies

2Q19 Performance increased significantly compared to the previous quarter by 372.4 billion won (+31.9%qoq, +21.5%yoy), and 30.5 billion won (+61.7%qoq, +156%yoy) in operating profit. Profitability was also improved in the second quarter because of increased operation rate, stable yield rate, and process efficiency caused by increased supply of camera modules. Earnings growth will continue in 2H. In the second half of this year, it is expected to benefit from release of derivative models of low- to medium-priced A series for multi-cameras and new flagship model. Also MCNEX will actively respond to demands for high-value cameras (modules, actuator, automobile) through completion of its new plant in Vietnam in October.

The biggest reason for the positive performance is the change in Samsung Electronics' budget model strategy.. From 2019, Samsung Electronics integrated budget lineups A and J series into the A series and established the M series. In addition, the new A-series is equipped with Infinity display, multi-camera, and display fingerprint recognition, recording higher shipments than competitors. With strong sales of low and medium-priced models, Samsung Electronics' smartphone shipments increased 6% year-on-year in the 2Q , turned upward for the first time in seven quarters , grew in the second quarter compared to the first quarter for the first time since 2013.

As of 1H, Samsung Electronics' multi-camera coverage rate is 56%, which is increasing rapidly compared to the previous year, and is expected to be close to 80% by 2020. As a result, Eugene Research estimates that Samsung Electronics' camera module shipments will grow to 8.1 billion in 2019 (+24 percent) and 9.2 billion (+13 percent) in 2020. Considering that multi-camera Smartphones that will be released this year are 40% of total shipments, it is expected that growth of demands for modules will continue into next year too.

### • The recent price decline has increased investment attractiveness

MCNEX's 2019 earnings are expected to be 1.2 trillion won (+78.3 percent) in sales and 100.4 billion won (+144 percent) in operating profit. 1) Samsung Electronics will continue to strengthen budget models, 2) Increased penetration rate of new items such as ToF camera and display fingerprint recognition, 3) Maintains high share even in flagship models, 4) Possibility of Reaction Benefit of Samsung Electronics' Smartphones because of Huawei , 5) low valuations ( P / E 4.6 times as of 2019 ) Given these factors, it is believed to be in the range undervalued .