



MCNEX(097520.KQ)

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Dual is not enough. Now it's triple and quad!

Overview

MCNEX is a camera module manufacturer for mobile and automotive devices that was established in 2004. Its main products are camera modules and actuators for Smartphones, camera modules for automobiles, and biometric recognition modules (fingerprint recognition and iris recognition). As of 2018, the sales portion of each application consists of 83% of smartphones and 15% of automobiles.

Expect earnings to improve with multi-camera adoption, fingerprint recognition and portfolio diversification

In 2020, the company is expected to record record-high earnings, with sales of W1.46tr (+ 12.4% yoy) and operating profit of W125.2bn (+ 11.2% yoy). With robust sales of major customers' flagship models, smartphone shipment performance has improved due to the expansion of its mid- low-priced lineup, and it is expected to post positive performance centering on 5G smartphones in 2020.

Among Samsung Electronics' mid- and low-end models, shipments of smartphones with multi-cameras are expected to grow from 26.93 million units in 2018 to 1.3 billion units in 2019 and 2.0 billion units in 2020. As a result, shipments of camera modules to Samsung Electronics are expected to grow to 9.2 billion (+40.1%yoy) in 2019 and 11.1 billion (+20.4%yoy) in 2020. Along with increasing recruitment of multi-cameras, the proportion of triple and quad cameras is increasing, and it is expected that camera modules will continue to increase ASP in the mid to long term.

Target stock price '35,000 KRW' and investment opinion 'BUY' new coverage is initiated

Investment opinion 'BUY' and target share price '35,000 won' for MCNEX and initiate new coverage. The target share price of 35,000 is the application of 6.5 times the average P/E value to the projected EPS for 2020 (5,344 won). 1) Given Samsung Electronics' low- and medium-priced product reinforcement strategy, 2) rapid multi-camera recruitment, increase in module ASP due to increase in weight of triple and quad cameras, 3) holding eye tems for strengthening mid- to low-end specs such as ToF cameras and display fingerprint recognition, and, 4) Considering the low valuation (P/E 4.9 times as of 2020), even though it has a high share of parts supply in the flagship model, it is judged that the stock price will have sufficient upward momentum.

Financial Data

statement (12M)	2017A	2018A	2019E	2020E	2021E
Sales(B-won)	668	697	1,304	1,465	1,610
Operating profit(B-won)	20	41	113	125	133
Income before tax(B-won)	-1	43	128	128	141
Net profit(B-won)	-1	30	90	95	104
EPS(won)	-66	2,163	5,063	5,344	5,877
Variation(%)	-	TB	134.1	5.5	10.0
PER(times)	-	6.0	5.2	4.9	4.5
ROE(%)	-1.1	26.2	50.1	34.7	28.4
PBR(times)	2.2	1.7	2.1	1.5	1.1
EV/EBITDA(times)	5.9	2.7	2.9	2.3	1.8

BUY (Maintenance)

Target Price(12M, New) 35,000won
Price(11/19) 26,450won

Key Data	(2019. 11. 19)
KOSPI(pt)	2,153
KOSDAQ(pt)	663
Face value(won)	500
Market-cap(billion won)	472
52W Max/Min(won)	29,500 / 11,800
52W Day Beta	1.43
Issued shares(thousand)	17,863
Average transaction volume(3M, thousand)	604
Average transaction amount(3M, Million won)	13,640
Dividend yield ratio(19F, %)	1.1
Foreign ownership rate(%)	16.2
Major shareholders ratio(%)	
Min	27.6
Treasury stock	1.3

Company Performance

Price return ratio(%)	1M	3M	6M	12M
Absolute yield	14.0	45.9	69.8	56.8
KOSPI relative return	11.6	36.2	67.4	71.1

Company vs KOSDAQ composite

