

Favorite choice for Samsung LED-TV

Initiate coverage recommending BUY with W20,000 TP

We initiate our coverage of Lumens, recommending a BUY rating with a target price of W20,000. To derive the target price, we applied a target multiple of 23x to FY10E EPS. We view the target multiple, the average FY10E P/E for key global LED makers, as reasonable, considering robust growth potential of the company's LED-TV business. In spite of strong growth potential, Lumens is currently undervalued at lower than 10x P/E on FY11E, compared with its global peers. Investment points: 1) an explosive growth of the LED-TV market; 2) strong growth and solid earnings stability as a core components provider for Samsung Electronics; 3) an increasing market share on capacity expansion; 4) robust growth potential of subsidiary Topaz; and 5) accelerated improvement of financial health.

Growth potential strong on early mover advantage for LED module business

The LED module (for LCD-TV) market is projected to grow by 1,300% y-y in 2010, a skyrocketing growth compared with other applications. We expect Lumens to take an 18% share of the LED module market. We see the company's growth momentum will remain intact, supported by the robust expansion of the LED module market and an aggressive LED investment by Samsung Group, which has picked LED as one of its five new promising businesses.

FY10 forecast: sales up 191%, OP up 549% y-y

We forecast FY10 sales and operating profit to skyrocket by 191% and 549% y-y, respectively, to W386.7bn and W38.2bn, considering the global LED-TV market is expected to expand explosively to 40mn units in 2010, versus 3mn in 2009. In addition, its capacity expansion in China should contribute to strong top-line growth, while lower LED package prices are not likely to have a big impact.

Financial Data

		2008	2009	2010F	2011F	2012F
Sales	Wbn	75.0	133.0	386.7	694.9	833.7
OP	Wbn	3.1	5.7	38.1	79.7	87.9
PTP	Wbn	(2.6)	4.5	41.4	85.1	95.9
NP	Wbn	(1.9)	5.2	37.3	76.5	81.9
EPS	W	(62)	154	936	1,917	2,052
Chg	%	NA	NA	507.0	104.7	7.1
P/E	X	NA	57.9	13.1	6.4	6.0
P/B	X	1.9	4.0	3.9	2.4	1.7
EV/EBITDA	X	29.6	24.9	9.7	4.9	4.0
ROE	%	(9.3)	9.4	35.1	46.9	33.8
BPS	W	1,385	2,205	3,130	5,047	7,099
Net DER	%	76.7	35.2	26.1	(1.3)	(11.2)

Source: company data, Hana Daetoo Securities

Initiation

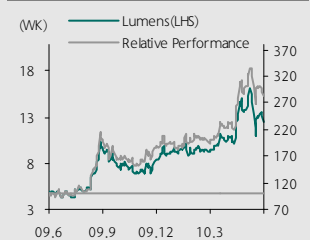
Key Data

KOSDAQ	483.12		
52 week High/Low(W)	15,900/3,980		
Market cap (W bn)	488.7		
Shares out ('000)	39,897.7		
60-D avg. daily volume ('000)	2,857.1		
60-D avg. daily value (W bn)	35.5		
DPS (W, 09)	0		
DPS Est. (W, 10)	0		
Foreign ownership (%)	29.40		
Performance	1M	6M	12M
Absolute	(9.9)	49.2	155.2
Relative	(6.6)	50.0	163.9

Consensus Data

	2010	2011
Sales (Wbn)	330.0	448.3
OP (Wbn)	34.5	45.3
NP (Wbn)	28.3	39.4
EPS (W)	732	1,025
BPS (W)	2,751	3,555

Stock Price



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Summary

Lumens (038060)	Choice of Samsung LED-TV
Rating & TP	Recommend BUY with a target price of W20,000
Valuation	<ul style="list-style-type: none"> • Target P/E multiple of 23x on FY10E • Target multiple: average FY10E P/E for key global LED makers
Investment points	<ul style="list-style-type: none"> • Synergies with Samsung Electronics • Positioned to benefit from Samsung Group's aggressive investment in LED • An increasing market share on capacity expansion • Turnaround of subsidiary and equity method gains to increase • Financial health to improve substantially
Earnings forecast	<ul style="list-style-type: none"> • FY10 sales and OP to skyrocket by 191% and 549% y-y • FY10 EPS to grow by 497%
Catalysts	<ul style="list-style-type: none"> • Samsung Group's investment in new promising businesses

1. Valuation

Recommend BUY with W20,000 TP

TP of W20,000 suggests a 63.3% upside potential

We initiate our coverage of Lumens, recommending a BUY rating with a target price of W20,000. To derive the target price, we applied a target multiple of 23x to FY10E EPS of W900. We view the target multiple, the average FY10E P/E for key global LED makers, as reasonable, considering robust growth potential for the company's LED-TV business. In spite of strong growth potential, Lumens is currently undervalued at lower than 10x P/E on FY11E, compared with its global peers.

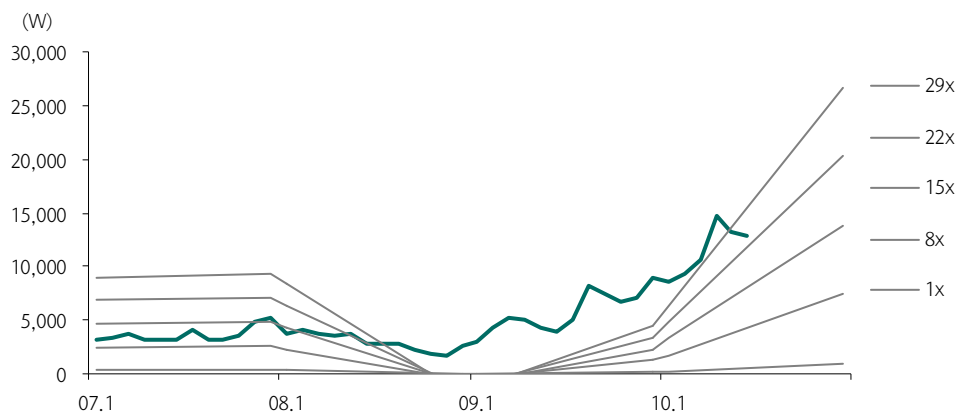
LED stocks are trading at a premium to the market, because: 1) LED-TV penetration pace is remarkable; 2) the LED lighting market is expected to grow by more than 50% per year until 2012 (up from \$800mn in 2010 to \$2.8bn in 2012) and thus the market's size is likely to be visible within two years; and 3) LED companies are expected to see a much bigger jump in earnings growth in two to three years compared with those in other industries.

Lumens is positioned to benefit from Samsung Electronics' LED-TV sales growth in 2010. Lumens is taking a 25% share of LED package supplies to Samsung Electronics, which is expected to sell 20mn LED-TV sets in 2010, up 670% y-y. In addition, light guide plate (LGP) maker Topaz, in which Lumens takes a 44.3% stake, is expected to see an improvement in its fundamentals thanks to increasing demand for LED-TV LGP.

Strongest growth among domestic LED makers, cheapest stock price

Lumens is likely to have the biggest growth until 2011 among domestic LED companies. The company's FY10 EPS growth is estimated at 497.2%, an incomparable level versus the industry average of 35.6%. Such strong growth should continue in 2011. Thus, we regard it as reasonable to give a valuation premium to the stock, given the company has begun to grow in full gear.

Chart 1. Historical P/E band



Source: Hana Daetoo Securities

Table 1. Peer Group Valuation

(%)

Company		Lumens	Seoul Semiconductor	Toyoda Gosei	Cree	Epistar	Everlight	Lite-On Tech
Code		038060 KQ	046890 KQ	7282 JP	CREE US	2448 TT	2393 TT	2301 TT
Unit		KRW, Wbn	KRW, Wbn	JPY, JPYbn	USD, US\$mn	NTD, NT\$mn	NTD, NT\$mn	NTD, NT\$mn
Close (2010.6.7)		12,250	42,700	2,442	68.2	88.2	83.7	35.3
Market cap		516.6	2,489.6	317.5	7,332.7	67,822.7	34,336.6	79,739.7
EPS	2008	-52	-246	31.0	0.4	NA	3.7	NA
	2009	154	728	130.0	1.6	4.9	5.9	3.6
	2010F	921	1,567	142.0	2.3	5.1	6.1	3.8
	2011F	1,917	2,373	183.8	2.7	5.5	6.4	4.2
EPS growth (%)	2008	NA	NA	NA	-42.9	NA	-42.2	NA
	2009	NA	177.9	NA	300.0	99.0	32.5	15.7
	2010F	497.2	115.2	9.2	43.8	4.1	NA	5.5
	2011F	108.0	51.4	29.4	17.4	7.8	8.5	10.5
P/E(x)	2008	NA	NA	NA	52.7	422.9	20.1	NA
	2009	57.9	40.9	20.1	59.2	20.1	15.6	10.9
	2010F	13.3	34.0	18.1	39.5	17.4	13.7	9.3
	2011F	6.4	19.1	13.3	25.2	16.0	13.1	8.4
P/B(x)	2008	1.9	2.7	1.0	2.2	3.5	1.6	NA
	2009	4.0	7.5	1.6	3.6	3.3	2.6	1.4
	2010F	3.9	4.8	1.4	3.1	1.8	2.4	1.2
	2011F	2.4	3.9	1.3	2.7	1.7	2.2	1.1
ROE (%)	2008	-9.3	-7.2	1.9	2.6	1.6	13.6	NA
	2009	9.4	8.7	4.2	9.6	5.3	17.5	12.4
	2010F	34.7	18.0	8.3	11.2	10.4	17.3	13.4
	2011F	47.0	23.2	9.7	13.0	10.7	17.3	14.2

Source: Hana Daetoo Securities

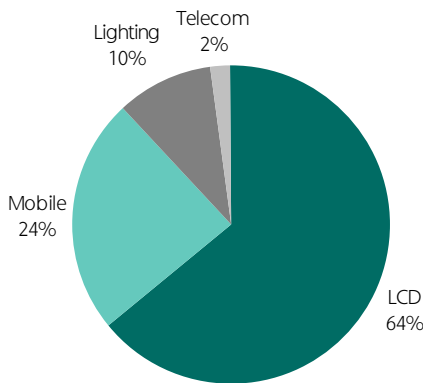
**2. Promising LED packaging company:
25% supply share in Samsung Electronics on technological competitiveness**

LED module is Lumens’ core product. Lumens has been a core supplier of LED-TV BLU module for Samsung Electronics since 2009, taking a 20~25% supply share.

Samsung Electronics introduced the world’s thinnest LED-TV at the Consumer Electronics Show (CES) 2009, heralding a LED-TV era. Then, Samsung took an 85% share of the US digital TV market, widening the gap with its rivals. At the CES 2010, Samsung showed a more diversified product line-up with thinner LED TVs, solidifying its dominant position in the LED TV market. Samsung’s LED-TV success is partially attributable to the way the company has focused on the edge-lit TV. Lumens is providing edge-lit BLU to Samsung Electronics. The key reason that Lumens has grown as a key supplier for Samsung Electronics is that the company has entered the edge-lit module market early based on aggressive R&D efforts compared with its rivals. In addition, the company has responded well to increasing demand thanks to continued capacity expansion.

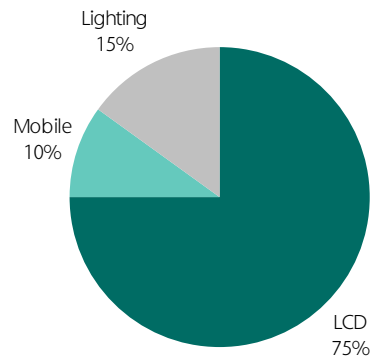
With LED taking an increasing share of sales, Lumens spun off its telecom service division in April 2010. As of 2009, the telecom division posted W3.3bn in sales, just 2.5% of total, and an operating loss of W2.4bn, hurting the company’s profitability. Lumens is expected to focus on LED, which should serve as a positive for the company’s value.

Chart 2. 2009 sales breakdown



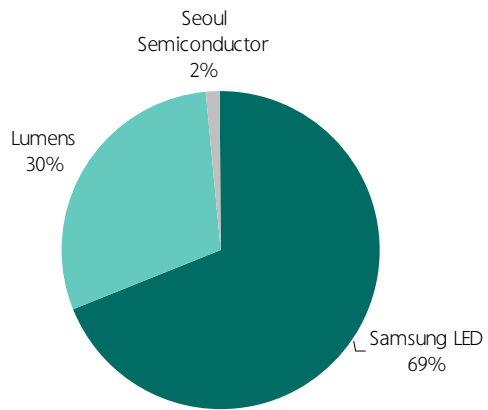
Source: Hana Daetoo Securities

Chart 3. 2010E sales breakdown



Source: Hana Daetoo Securities

Chart 4. Grown as a core component supplier for Samsung Electronics
(2010E supply share in Samsung Electronics)



Source: Hana Daetoo Securities

3. Investment points

We see five investment points: 1) an explosive growth of the LED-TV market; 2) strong growth and solid earnings stability as a core components provider for Samsung Electronics; 3) an increasing market share on capacity expansion; 4) robust growth potential of subsidiary Topaz; and 5) accelerated improvement of financial health.

- | | |
|---|---|
| 1) Core supplier for Samsung Electronics | 1) Since the company is a core LED packing provider for Samsung Electronics, Samsung's stronger LED-TV sales result in an increase in Lumens sales. Lumens is poised to benefit largely from the robust growth of the LED market. We forecast FY10 sales of W386.7bn, up 191% y-y, and OP of W38.2bn, up 509%. |
| 2) Positioned to benefit from Samsung Group's aggressive investment | 2) Samsung Group has picked LED as one of its five new promising businesses, and planned to invest W8.6tn, 37% of its total investment size, by 2020. Thus Lumens is set to benefit the most from Samsung's aggressive investment. |
| 3) Increasing market share on capacity expansion | 3) Lumens is ramping up production capacity in China in order to respond to increasing demand. The ramp-up work is carried out in two steps: first buildup of packaging line (by 50mn units per month) was completed in March 2010 and production started in April; and the new line of the second step is set to come on stream in July 2010. If the capacity expansion is to add a total of 100mn units per month, Lumens is expected to have a TV LED module line with monthly capacity of over 700K units. Thus LCD-TV LED module production volume is estimated to increase to more than 8mn units per year in 2010, up from 5mn in 2009. Lumens is likely to continue to raise its supply share in Samsung Electronics. |
| 4) Robust growth potential of subsidiary Topaz | 4) Unlisted subsidiary Topaz deserves attention, in our view. Topaz, in which Lumens takes a 44.3% stake, specializes in laser LGP. As of 2009, Topaz posted W18.0bn in sales and an operating loss of W1.8bn. In 2010, however, the company is expected to turn around with sales of W100bn and operating profit of W8bn, supported by strong demand growth. We project Topaz to maintain strong growth momentum in 2011 thanks to capacity expansion, generating sales of W200bn with a 9% operating margin. |
| 5) Improvement in financial health to accelerate | 5) Lumens is likely to improve its financial health in 2010, on the back of a strong operating cash flow and reduced capex. In addition, debt level should decline substantially. We estimate net debts to decrease to W4.2bn in 2011, sharply down from W31.0bn in 2009. Moreover, profitability should increase remarkably. Since the LED industry is at its initial stage, investment should directly lead to earnings growth. We forecast ROIC to surge from 9.2% in 2009 to 27.1% in 2010 and ROE to soar from 9.4% in 2009 to 34.7% in 2010 and to 47.0% in 2011. |

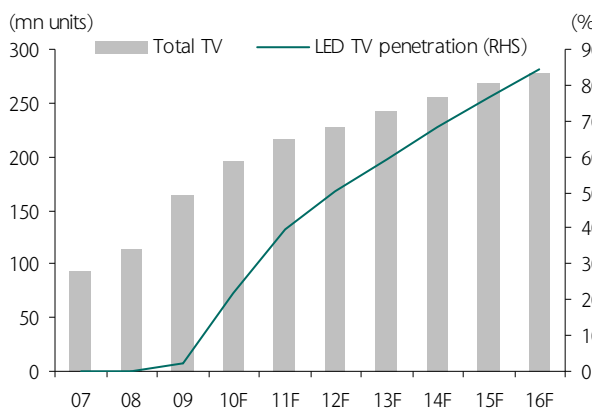
(1) Synergies with Samsung Electronics, strong position as a key supplier to Samsung Electronics

The LED TV penetration rate in the global market: 22% in 2010 → 50% in 2012

We expect Lumens to show rapid earnings growth from 2010 because the LED TV market is growing faster than market expectations. Samsung Electronics aims to sell about 20mn LED TV sets in 2010, up from 200K sets in 2009. Global LED TV sales volume is expected to increase from 2mn sets in 2009 to 40mn sets in 2010. The LED TV penetration rate in the global market is forecast to rise from 22% in 2010 to 50% in 2012. We forecast the introduction of 3D TV and Connected TV in 2010 will have positive impacts on LED TV demand.

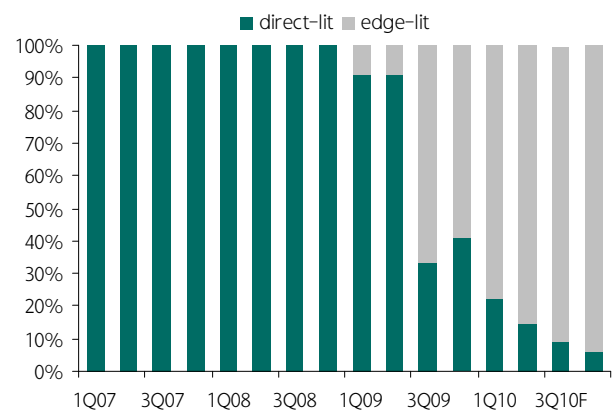
The estimates for LED TV market growth are raised significantly because: 1) the success of Samsung Electronics' LED TV marketing in 2009 has prompted rivals like LG Electronics and Sony to launch LED TVs as well; 2) the need for high-luminance LED among TV set makers is increasing on the higher penetration of FHD and 3D-TV; and 3) as edge-lit LED TVs are more widespread, LED TV has price competitiveness compared to CCFL-backlit TV.

Chart 5. LED TV penetration rate to rise to 50% in 2012



Source : Displaysearch, Hana Daetoo Securities

Chart 6. Edge-lit LED TVs outstrip direct-lit TVs



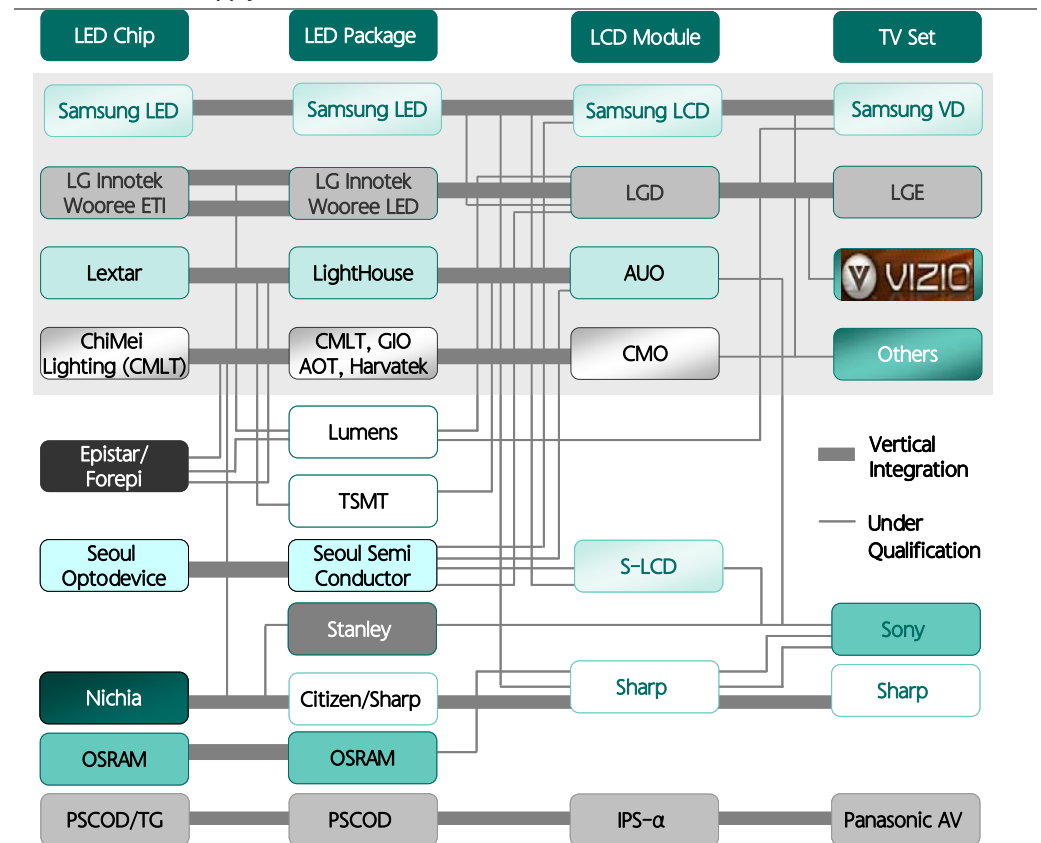
Source : Displaysearch, Hana Daetoo Securities

Lumens to have stronger market position given the need to strengthen supply chain and supply shortage

Samsung Electronics and LG Electronics have achieved their vertical integrations for LED production. Samsung Electronics acquires most of needed parts through Samsung LED. But since Samsung LED is affected by shortage of MOCVD, LED packaging is outsourced to Lumens.

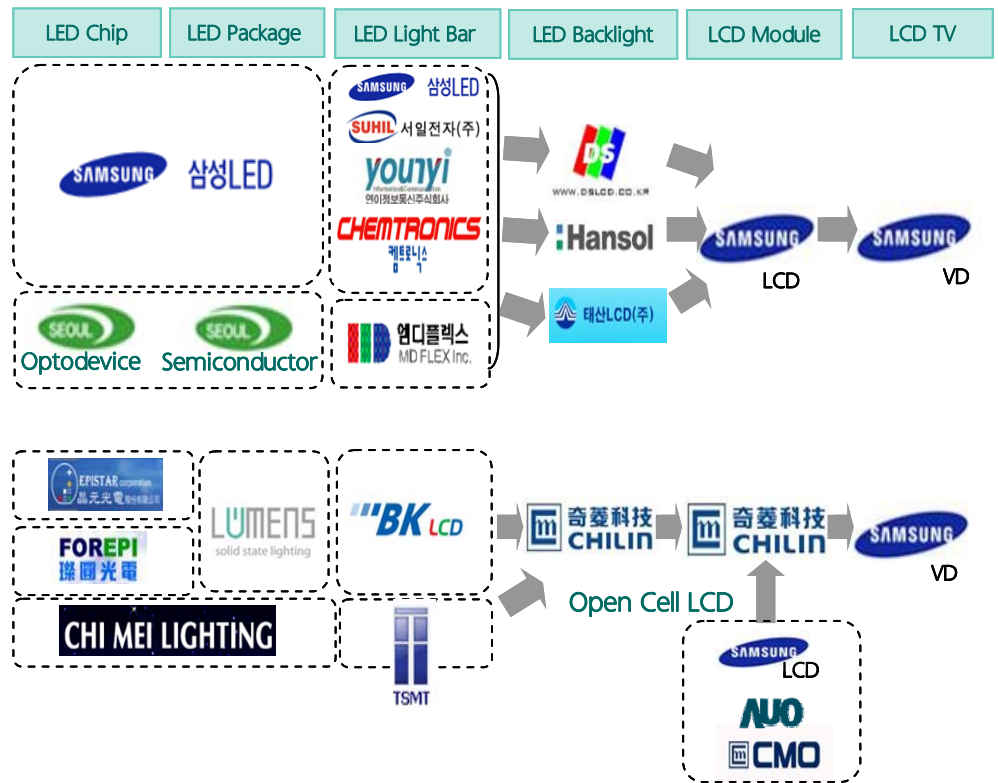
In 2009, Lumens supplied to both Samsung Electronics (direct-lit and edge-lit types) and LG Electronics (direct-lit type), while the company appears to supply only to Samsung Electronics (edge-lit type) in 2010. Assuming that the number of LED packaging companies will increase, we believe, strengthening position as a key partner for Samsung Electronics is more effective than diversifying client base. Moreover, large companies focus on maintaining close relationship with key suppliers rather than finding new suppliers and replace existing ones. In this regard, we believe, Lumens has a strong market position as it has grown as a key supplier for Samsung Electronics since 2006. The company's position should be solidified further, given the trend of strengthening a supply chain among TV set makers.

Chart 7. LED TV supply chain



Source: Hana Daetoo Securities

Chart 8. SEC: LED-TV supply chain



Source: Hana Daetoo Securities

(2) LED is a major new growth engine of Samsung Group

Lumens is expected to continue to benefit from Samsung Electronics' LED business expansion.

On May 11, 2010, Samsung Group announced that it would invest W23.3tn on its five new growth engine businesses which include LED, and spend 37% of the money (W8.6tn) on LED business by 2020. The group plans to expand LED business from LED backlight for TVs to LED lighting and electric auto parts. Recently due to a rapid increase in LED TV demand, supply shortage is aggravating in all stages of LED production such as LED ingot, wafer, chip and module. Thus we expect Lumens to continue to benefit from Samsung Electronics' LED business expansion.

Table 2. Samsung Group's five new growth engines

(%)

Business area	Who will take a major role	Spending by 2020	FY20E sales	Note
LED	Samsung LED	W8.6tn	W17.8tn	To expand production capacity and strengthen LED lighting business
Automotive battery	Samsung SDI	W5.4tn	W10.2tn	To strengthen Samsung SDI's global market position
Solar cell	Samsung Electronics	W6.0tn	W10.0tn	To build 100MW production line in 1H10
Medical equipment	Samsung Electronics, SEMCO, Samsung Techwin, Samsung Medical Center	W1.2tn	W10.0tn	The group re-enter the market in 10 years
Biopharmaceuticals	Samsung Electronics, Samsung Medical Center	W2.1tn	W1.8tn	To focus on generic drugs

Source : Samsung Electronics, Hana Daetoo Securities

(3) Bright outlook for LED packaging

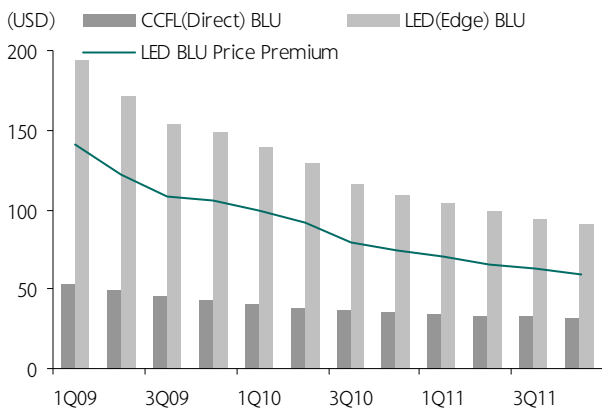
To steadily increase market share on capacity expansion

Lumens accounts for 20-25% of LED packaging needed for Samsung Electronics' LED TV. Lumens has LED production capacity of 140mn units per month (70mn units for TV and 70mn units for laptops and handsets). We expect its LED capacity to increase to 240mn units per month at the end of 2010 and to 370mn units in 2011. In particular, TV LED packaging capacity is projected to expand from 70mn units in 1Q10 to 170mn units in 3Q10 and 270mn units in 3Q11.

The company is building a plant in Kunshan, China to meet growing LED demand. The capacity ramp-up consists of two phases: in the first phase, a packaging line with capacity of 50mn units per month was completed in March 2010, and became operational in April. Another packaging line with capacity of 50mn units per month will be in operation in July 2010. When the two lines are completed, Lumens will have a TV LED module line with monthly capacity of over 700K units. Then the company's annual LED module production for LCD TV is forecast to expand to 8mn units in 2010, and the company is projected to account for 30% of supply to Samsung Electronics in 2010, up from 20% in 2009.

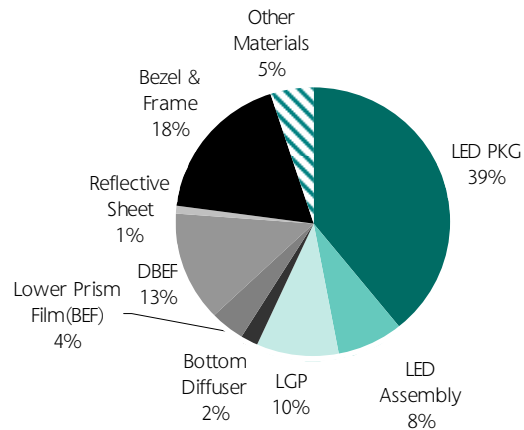
COGS of LED packaging consists of material cost (60~65%), labor cost (20%), and others such as depreciation (15-20%). Thus capacity expansion in China will lead to higher profitability thanks to low labor cost in the country.

Chart 9. Price gap between LED and CCFL TV is narrowing



Source : Displaysearch, Hana Daetoo Securities

Chart 10. LED TV cost structure: LED packaging accounts for 39%



Source : Displaysearch, Hana Daetoo Securities

Table 3. Monthly production capacity

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10F	3Q10F	4Q10F	1011F	2Q11F	3Q11F	4Q11F
Headquarters	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Suzhou, China	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Kunshan, China						50,000	100,000	100,000	100,000	150,000	150,000	200,000
Total	120,000	120,000	120,000	120,000	120,000	170,000	220,000	220,000	220,000	270,000	270,000	320,000

Source: Hana Daetoo Securities

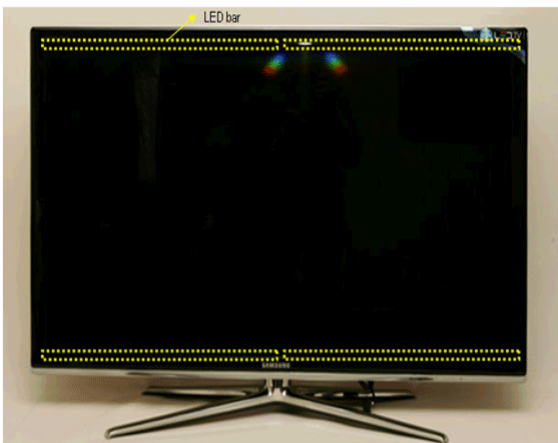
LED packaging to increase thanks to an explosive growth of LED and 3D TV in 2010

A decrease in the number of LED chips per BLU is also accelerating the penetration of LED TV. In the case of 40-inch edge-lit LED TV, 288 LED chips were used for one TV set in 2009, but the number has declined to 224 in 2010. The number of LED bars per TV set has also decreased from 6 (4 horizontal, 2 vertical bars) to 4 (only horizontal).

Moreover, 3D LED TV sales growth will boost demand for LED chips. One 3D LED TV set needs 240Hz or 480Hz refresh rates. Most 3D TVs on the market have a 240Hz refresh rate but it is not enough for 3D experience due to low luminance. And to raise luminance requires more LED chips.

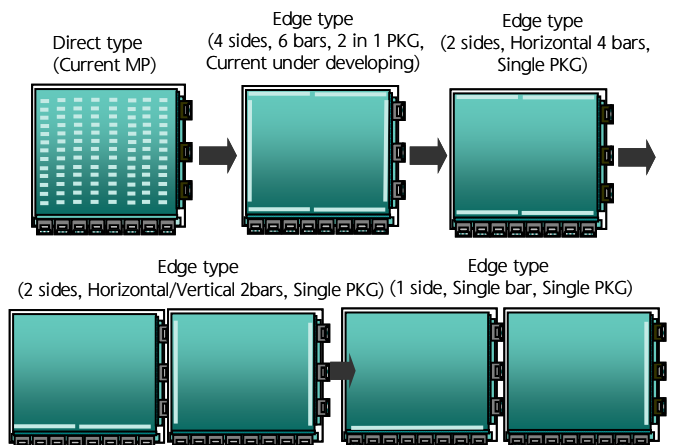
Lumens' products were used only for 40-, 46-, 55-inch LED TVs in 2009, but in 2010, its product models have been diversified and adopted for TV sets of different sizes (21.6-, 26-, 32-, 37-inch models). As not only high-end TVs but also ordinary ones adopt LED chips, earnings of Lumens are expected to grow faster.

Chart 11. The number of LED modules per TV set declines



Source: Hana Daetoo Securities

Chart 12. Smaller number of LED chips per BLU, but market size is growing considerably



Source : Displaysearch, Hana Daetoo Securities

(4) Higher value of subsidiary on growing LGP market

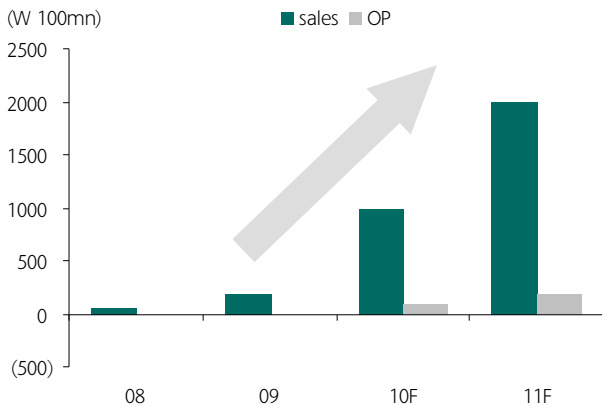
**LGP business of subsidiary
Topaz to grow significantly**

We believe attention should be paid to the value of subsidiary Topaz. Lumens has a 44.3% stake in Topaz (W10.2bn in book value, 11.7% of equity capital as of end-2009). Topaz is a manufacturer of LGP based on laser engraving and supplies LGP for TV to Samsung Electronics. LGP enables light units to illuminate the whole area of LCD evenly.

CCFL-lit LCD TVs do not need LGP because they are direct-lit type. But LGP is a core component for edge-lit LED TV to illuminate the whole area of LCD evenly. LGP for LED TVs requires advanced technology as it has micro patterns that provide thermal reliability and prevent distortion. Moreover, LGP supply shortage occurred when Samsung Electronics started production of edge-lit LED TVs in 2H09. The importance of securing enough LGPs is growing as global LED TV sales volume is expected to increase 11 times y-y to over 40mn units in 2010.

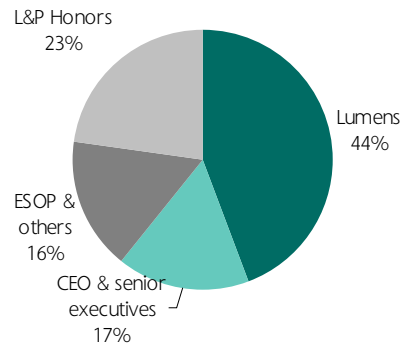
Topaz has a monthly capacity of 400K units (200K units from outsourcing). FY09 sales were W18bn and the company made an operating loss of W1.8bn. But it is forecast to post W100bn in sales and W8bn in OP for FY10. Thanks to capacity expansion, we expect FY11 sales of W200bn and operating margin of 9%. We expect earnings improvement of Topaz will help improve non-operating income of Lumens from 2010. But we believe it will add only W1bn-W2bn to Lumens' net profit given the 44% stake in Topaz and its capital investment.

Chart 13. Topaz starts earnings turnaround



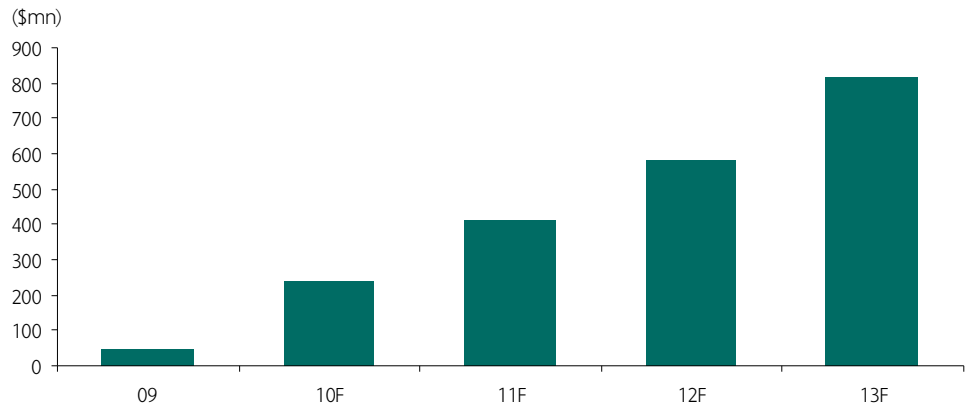
Source : DART, Hana Daetoo Securities

Chart 14. Topaz share ownership



Note: as of Feb. 1st, 2010
Source : DART, Hana Daetoo Securities

Chart 15. Forecast for LGP market for LED TV – an average of 4.3% growth over next 4 years



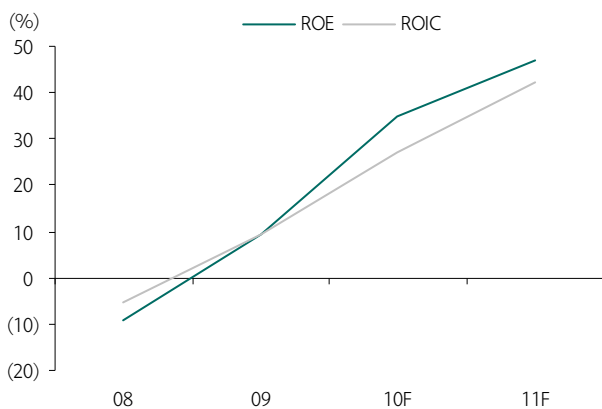
Source: Hana Daetoo Securities

(5) Healthy financial structure

Lumens’ financial structure is projected to improve as the company has begun to see returns from investment since 2010. It spent a total of W53.5bn on capacity expansion in 2008-2009. From 2010, however, we expect a strong operating cash flow and a big drop in capacity investment. Free cash flow should jump to W5.6bn in 2010 from –W71.3bn in 2009. Net borrowings are also expected to decline greatly from W31.0bn in 2009 to W4.2bn in 2011.

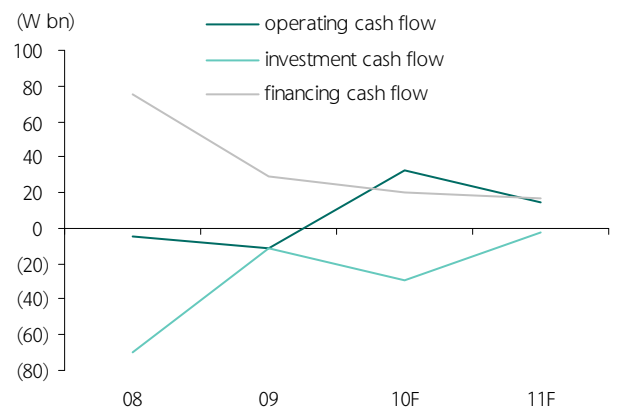
We expect margins to improve significantly. OP should steadily increase as invested capital leads to high profits on the back of fast growing LED industry. Thus we forecast ROIC to rise from 9.2% in 2009 to 27.1% in 2010, and ROE to jump from 9.4% in 2009 to 34.7% in 2010 and 47.0% in 2011.

Chart 16. Rapid increase in ROE & ROIC



Source: Hana Daetoo Securities

Chart 17. Improved cash flow from operating activities



Source: Hana Daetoo Securities

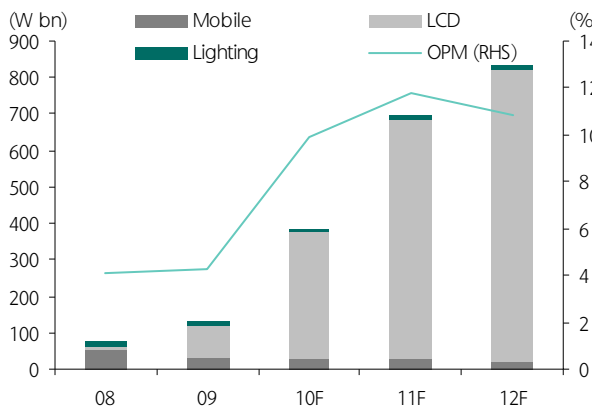
4. Taking early lead in growing market

(1) FY10 sales and OP to rise 190.8% and 549.0% y-y, respectively

1Q sales declined 1.7% q-q to W50.5bn, but OP increased 32.4% to W4.1bn on the back of larger sales volume of LED TV and laptop modules.

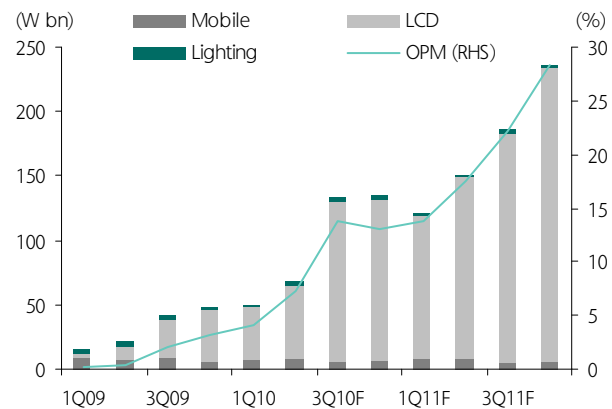
FY10 sales and OP are expected to rise 190.8% and 549.0% y-y, respectively, to W386.7bn and W38.2bn, considering 1) continued earnings momentum, 2) earnings expectations based on increased LED TV module sales, and 3) rapid growth of OP on the back of steady top-line growth and stable yields of production lines. The LED packaging capacity of the Kunshan plant will be expanded from 50mn units per month to 100mn in 3Q. Then the company will have a TV LED module line with monthly capacity of over 700K units. Accordingly, 2H10 sales should increase 125.8% h-h to W26.8bn.

Chart 18. Annual earnings trend



Source: Hana Daetoo Securities

Chart 19. Quarterly earnings trend



Source: Hana Daetoo Securities

(2) 2Q sales and OP to increase 35.0% and 76.2% q-q, respectively

Thanks to the operation of the Kunshan plant, LED module sales volume is estimated to increase from 2mn units in 1Q to 12mn units in 2Q. Thus 2Q sales are forecast to grow 35.0% q-q to W68.2bn. OP should rise 76.2% to W7.3bn on the back of lower SG&A ratio.

Table 4. Quarterly earnings forecast

(W bn, %)

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10F	3Q10F	4Q10F	2008	2009	2010F	2011F
Earnings												
Sales	15.5	23.2	42.9	51.4	50.5	68.2	133.5	134.5	75.0	133.0	386.7	694.9
Mobile	9.5	7.2	9.4	5.6	7.1	8.3	6.1	6.5	53.4	31.9	28.0	26.6
LCD	3.6	10.3	29.7	40.3	40.6	57.6	124.9	125.6	9.7	89.3	349.4	658.5
Lighting	2.3	4.0	2.9	2.8	2.1	2.3	2.5	2.4	11.9	11.8	9.3	9.8
OP	0.2	0.3	2.1	3.1	4.1	7.3	13.7	13.0	3.1	5.7	38.2	79.7
PTP	-0.3	0.1	2.6	2.0	3.4	8.4	14.8	14.2	-2.6	4.5	40.8	85.1
NP	-0.4	0.5	2.3	2.8	2.7	7.8	13.7	12.6	-1.9	5.2	36.8	76.5
Margins (%)												
OPM	1.4	1.2	5.0	6.0	8.2	10.7	10.3	9.7	4.1	4.3	9.9	11.5
PTPM	-1.8	0.6	6.1	3.9	6.8	12.3	11.1	10.6	-3.5	3.4	10.5	12.2
NPM	-2.4	2.4	5.3	5.4	5.4	11.4	10.3	9.3	-2.5	3.9	9.5	11.0
Growth (%YoY)												
OP	-75.2	-75.1	39.4	-762.3	NA	NA	542.8	321.5	8.4	86.6	570.2	108.6
PTP	-163.3	-55.8	676.0	-155.0	NA	NA	468.8	604.6	NA	NA	NA	108.8
NP	-22.0	477.1	963.9	-211.8	NA	NA	504.2	354.1	NA	NA	NA	108.2
Growth (%QoQ)												
OP	-147.8	23.3	672.5	45.4	32.4	78.2	87.5	-4.7				
PTP	-92.5	-147.3	NA	-22.5	70.6	143.3	76.9	-4.0				
NP	-84.9	-245.4	316.1	22.0	-0.6	182.1	76.5	-8.3				

Source: Hana Daetoo Securities

Summary financials

Income Statement		(W bn)				
	2008	2009	2010F	2011F	2012F	
Sales	75.0	133.0	386.7	694.9	833.7	
Cost of goods sold	61.9	113.4	320.9	576.6	691.7	
Gross Profit	13.1	19.7	65.8	118.4	142.0	
SG&A expenses	10.0	13.9	27.7	38.7	54.1	
Operating profit	3.1	5.7	38.1	79.7	87.9	
Non-operating income	(5.7)	(1.2)	3.3	5.4	8.0	
Interest income	(0.9)	(1.8)	0.4	1.8	2.8	
Equity-method profit	0.0	0.0	1.0	2.0	4.0	
Forex gains	(4.7)	0.5	0.3	0.8	0.4	
Others	(0.1)	0.1	1.5	0.8	0.8	
Pre-tax profit	(2.6)	4.5	41.4	85.1	95.9	
Taxes	(0.7)	(0.7)	4.1	8.7	14.1	
Continuing OP	(1.9)	5.2	37.3	76.5	81.9	
Discontinued OP	0.0	0.0	0.0	0.0	0.0	
Net profit	(1.9)	5.2	37.3	76.5	81.9	
NOPAT	(1.2)	7.3	36.9	74.9	79.5	
EBITDA	3.2	15.5	54.0	99.7	115.2	
Growth (%)						
Sales	507.3	77.4	190.7	79.7	20.0	
EBITDA	(9.5)	380.3	248.9	84.7	15.5	
OP	8.4	86.6	566.2	109.1	10.3	
Continuing OP	NA	NA	617.5	104.9	7.1	
EPS	NA	NA	507.0	104.7	7.1	
Profitability (%)						
Gross profit margin	17.4	14.8	17.0	17.0	17.0	
EBITDA margin	4.3	11.6	14.0	14.3	13.8	
OP margin	4.1	4.3	9.9	11.5	10.5	
Continuing OP margin	(2.5)	3.9	9.6	11.0	9.8	

Financial Indicators

	2008	2009	2010F	2011F	2012F
Per share value (W)					
EPS	(62)	154	936	1,917	2,052
BPS	1,385	2,205	3,130	5,047	7,099
CFPS	(191)	(384)	774	1,461	1,736
EBITDAPS	108	459	1,355	2,499	2,886
SPS	2,524	3,946	9,704	17,418	20,896
DPS	0	0	0	0	0
Indicators (x)					
PER	NA	57.9	13.1	6.4	6.0
PBR	1.9	4.0	3.9	2.4	1.7
PCFR	NA	NA	15.8	8.4	7.1
EV/EBITDA	29.6	24.9	9.7	4.9	4.0
PSR	1.0	2.3	1.3	0.7	0.6
Ratios (%)					
ROE	(9.3)	9.4	35.1	46.9	33.8
ROA	(4.4)	4.3	17.0	24.0	18.8
ROIC	(5.4)	9.2	26.8	42.0	35.3
Liabilities/equity	173.5	107.8	105.7	88.7	73.0
Net debt/equity	76.7	35.2	26.1	(1.3)	(11.2)
Interest coverage (x)	2.6	2.6	20.5	53.0	72.3

Source: company data, Hana Daetoo Securities estimates

Balance Sheet		(W bn)				
	2008	2009	2010F	2011F	2012F	
Current assets	33.2	98.9	151.0	265.0	353.7	
Cash & equivalents	5.7	12.2	10.4	18.6	22.4	
Financial goods	3.5	4.1	1.7	24.5	49.0	
Accounts receivable	9.6	37.1	64.2	115.5	154.7	
Inventories	10.5	33.8	60.8	91.2	111.2	
Others	3.8	11.8	14.0	15.2	16.3	
Fixed assets	28.4	83.0	105.8	114.9	136.3	
Investment assets	3.3	23.7	38.3	39.6	51.4	
Tangible assets	13.0	50.9	60.3	68.2	78.5	
Intangible assets	7.6	4.6	3.1	2.9	2.4	
Total assets	61.6	182.0	256.9	379.9	489.9	
Current liabilities	27.0	63.9	104.2	153.0	182.6	
Accounts payable	8.1	38.2	73.5	122.9	150.4	
Short-term borrowings	15.5	16.6	15.1	14.3	13.8	
Current portion of LT debt	0.5	0.9	3.3	2.2	3.4	
Others	2.9	8.2	12.3	13.6	15.1	
Long-term liabilities	12.1	30.5	27.8	25.5	24.1	
Bonds	10.0	10.0	6.7	4.4	3.0	
Long-term debt	1.3	20.2	20.2	20.2	20.2	
Others	0.8	0.3	0.9	0.9	0.9	
Total liabilities	39.1	94.4	132.0	178.5	206.7	
Capital stock	14.5	19.9	19.9	19.9	19.9	
Capital surplus	21.9	65.1	65.1	65.1	65.1	
Capital adjustments	(18.8)	(7.4)	(7.4)	(7.4)	(7.4)	
Other comprehensive income	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	
Retained earnings	4.9	10.1	47.4	123.9	205.8	
Total equity	22.5	87.6	124.9	201.4	283.3	
Net debt	17.3	30.8	32.6	(2.6)	(31.6)	

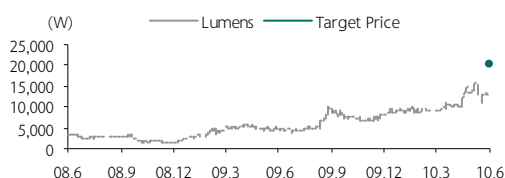
Cash Flow

	(W bn)				
	2008	2009	2010F	2011F	2012F
Operating cash flow	(5.0)	(10.9)	30.5	56.7	66.9
Net profit	(1.9)	5.2	37.3	76.5	81.9
Chg in non-cash items	10.2	10.1	10.3	12.8	16.8
Depreciation	4.9	9.2	13.1	16.4	22.0
Forex gains (losses)	4.7	(0.5)	(0.3)	(0.8)	(0.4)
Equity method gains (losses)	0.0	0.0	(1.0)	(2.0)	(4.0)
Others	0.6	1.3	(1.5)	(0.8)	(0.8)
Chg in working capital	(13.4)	(26.2)	(17.1)	(32.6)	(31.8)
Investment cash flow	(69.6)	(11.8)	(30.4)	(44.3)	(62.3)
Chg in investment assets	(1.8)	(20.4)	(13.6)	0.7	(7.7)
Chg in tangible assets	(6.8)	(26.0)	(20.3)	(23.7)	(31.2)
Others	(60.9)	34.7	3.5	(21.3)	(23.4)
Financing cash flow	75.5	29.0	(1.8)	(4.2)	(0.8)
Chg in bonds	25.5	1.0	(2.4)	(4.1)	(0.8)
Recapitalization	10.5	5.3	0.0	0.0	0.0
Cash dividends	0.0	0.0	0.0	0.0	0.0
Others	20.1	(20.4)	0.5	(0.0)	(0.0)
Chg in cash	0.9	6.4	(1.8)	8.3	3.7
Unlevered CFO	(5.7)	(12.9)	30.9	58.3	69.3
Free Cash Flow	(35.5)	(71.3)	(2.2)	33.6	26.7

Rating & target price changes

► Lumens

Date	Rating	Target Price (W)
10.6.8	BUY	20,000



Hana Daetoo Securities Rating Definitions

Stock ratings for the next twelve months

Rating	Definition
BUY	Target Price implies at least 15% upside potential
Neutral	Target Price implies less than 15% upside or downside potential
Reduce	Target Price implies at least 15% downside potential

Sector ratings for the next twelve months

Rating	Definition
Overweight	Sector index implies at least 15% upside potential
Neutral	Sector index implies less than 15% upside or downside potential
Underweight	Sector index implies at least 15% downside potential

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