

# Silicon Works (108320 KS)

## Beneficiary of OLED TVs

### BUY (MAINTAIN)

Price (Feb. 15)	₩39,100
Target Price	₩49,000
% variance	25.3%

HyunCheol Soh ☎ (82-2) 3772-1594  
✉ johnsoh@shinhan.com

KOSPI	2,196.09p
KOSDAQ	738.66p
Market Cap.	₩635.9bn/ US\$57.8mn
Par Value	₩500
Outstanding Shares	16.3mn
Free Floating Shares	10.9mn (66.7%)
52-Week High/Low	₩53,700/₩31,000
60-Day Avg. Trading Volume	68,484shrs
60-Day. Avg. Trading T/O	₩2,462mn
Foreign Ownership	37.02%
Major Shareholders	
LG Corp. and 2 others	33.22%
Templeton Asset Management and 3 others	5.40%
Absolute Performance	3M 3.0%
	6M -12.1%
	12M -26.1%
Relative performance	3M -5.0%
to KOSDAQ	6M -9.4%
	12M -15.1%

◆ Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S.

◆ Please see Analyst certification and important disclosures & disclaimers at the end of this report.

- ◆ 4Q18 operating profit meets consensus at ₩20.9bn (+14.4% YoY)
- ◆ 2019 operating profit forecast at ₩81.7bn (+46.5 YoY)
- ◆ Retain BUY for a target price of ₩49,000

### 4Q18 operating profit meets consensus at ₩20.9bn (+14.4% YoY)

Silicon Works recorded 4Q sales of ₩236bn (+10.3% QoQ, +18.2% YoY) and operating profit of ₩20.9bn (-1.8% QoQ, +14.4% YoY), meeting the market consensus (sales of ₩220.4bn, operating profit of ₩20.3bn). The pricing pressure on LCD TV-use non-memory semiconductors increased due to an 11.2% QoQ drop in the price of 32-inch LCD TV open cell panels. Nevertheless, the company delivered stable earnings thanks to: 1) 13.9% QoQ growth in sales volume of non-memory semiconductors used in high value-added OLED TVs; and 2) 10% QoQ growth in sales volume of driver IC (D-IC) chips for tablet PCs and smartwatches.

### 2019 operating profit forecast at ₩81.7bn (+46.5 YoY)

We forecast sales of ₩192.2bn (-18.6% QoQ, +18.5% YoY) and operating profit of ₩10.4bn (-50.3% QoQ, +227.5% YoY) for 1Q, a traditional off-season for IT products. Earnings growth is expected from 2Q on increasing orders for OLED-use non-memory semiconductors.

LG Display is set to ramp up a new OLED line in Guangzhou, China in 3Q. We project sales volume of OLED TV panels to grow 30.1% from 3.2mn in 2018 to 4.16mn in 2019. It is also scheduled to start flexible OLED production at its new E6 line in the first half of the year. We therefore expect Silicon Works to deliver sales of ₩934.2bn (+18% YoY) and operating profit of ₩81.7bn (+46.5% YoY) for 2019.

### Retain BUY for a target price of ₩49,000

We retain our BUY rating on Silicon Works for a target price of ₩49,000 in view of: 1) forecasts for 30.1% YoY growth in sales volume of OLED TV-use non-memory semiconductors; and 2) 2019F operating profit of ₩81.7bn (+46.5% YoY). The current share price is undervalued at 2019F PER of 9.4x, vs. past seven-year average PER of 11.7x. OLED-use non-memory semiconductors will highly likely be supplied in 1H19 despite concerns over delays. Historically, the share price has been at the bottom level when there were concerns over the supply of new products. We believe now is the time to buy the stock.

Year to Dec.	Sales (₩ bn)	OP (₩ bn)	Pre-tax (₩ bn)	NP (₩ bn)	EPS (₩)	Growth (%)	BPS (₩)	PER (X)	EV/EBITDA (X)	PBR (X)	ROE (%)	Net Debt to Equity Ratio (%)
2016	610.0	50.6	58.0	50.7	3,116	4.6	23,406	8.9	3.1	1.2	13.9	(69.1)
2017	692.8	45.5	48.4	47.1	2,894	(7.1)	25,345	18.3	11.5	2.1	11.9	(66.7)
2018F	791.8	55.8	59.2	49.0	3,011	4.1	27,657	11.2	4.0	1.2	11.4	(66.5)
2019F	934.2	81.7	85.5	67.5	4,153	37.9	31,110	9.4	3.2	1.3	14.1	(69.3)
2020F	996.0	88.6	94.2	74.5	4,578	10.2	34,988	8.5	2.2	1.1	13.9	(73.1)

Source: Company data, Shinhan Investment Corp.

## Target price calculation

	Value	Remarks
2019F ROE (%)	14.1	
2019F EPS (KRW)	4,153	
Target PER (x)	11.7	7-year average PER of 11.7x
Target price (KRW)	49,000	

Source: Shinhan Investment Corp.

## PER, ROE and EPS

(x)	2011	2012	2013	2014	2015	2016	2017	Average
PER (high)	21.1	14.5	13.1	15.1	14.1	12.5	20.6	15.8
PER (low)	7.0	8.3	9.8	10.3	8.3	8.0	9.6	8.8
PER (average)	14.8	11.4	11.4	11.9	11.7	9.8	13.1	11.7
ROE (%)	14.9	17.3	12.1	11.2	15.0	13.9	11.9	13.8
EPS (KRW)	2,021	2,529	1,970	1,979	2,979	3,116	2,894	2,498.1

Source: QuantiWise, Shinhan Investment Corp.

## Valuation consensus of display-use non-memory semiconductor companies

	Market cap. (bn USD)	2019F (x)				2020F (x)			
		PER	PBR	EV/EBITDA	ROE (%)	PER	PBR	EV/EBITDA	ROE (%)
Renesas	11.0	13.4	1.7	5.6	14.4	11.5	1.5	5.7	13.7
Novatek	3.4	14.3	3.3	9.4	23.8	13.4	3.1	8.8	23.5
Synaptics	1.4	9.0	2.0	7.1	23.6	9.0	1.7	7.0	23.0
Parade Tech	1.4	17.8	3.8	13.1	23.0	14.7	3.2	11.0	24.0
Himax	0.7	25.4	1.4	17.1	7.4	42.0	1.4	16.8	4.8
Silicon Works	0.6	9.7	1.3	5.2	13.8	8.5	1.1	4.7	14.1
MagnaChip Semiconductor	0.2	-	-	9.4	32.2	8.6	-	5.7	(113.2)
Sitronix	0.4	13.6	2.8	7.0	15.4	-	-	-	-
Focal Tech	0.2	18.3	0.6	10.0	2.5	12.0	0.6	5.5	4.1

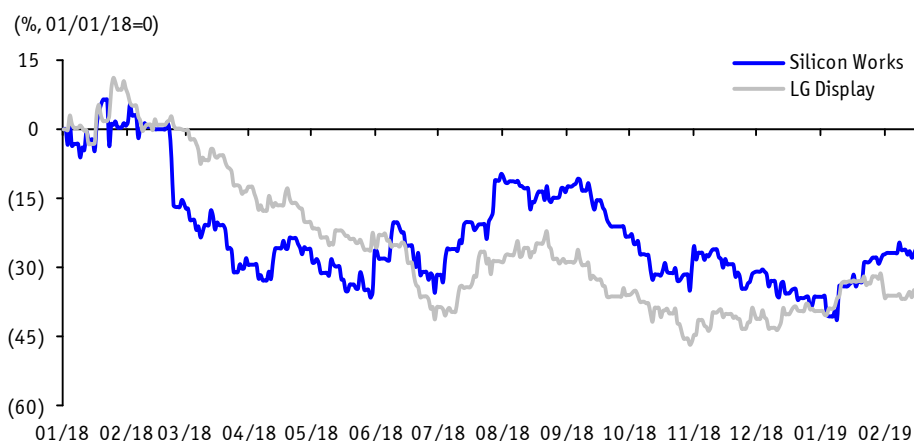
Source: Bloomberg, Shinhan Investment Corp.

## 12-month forward PER



Source: QuantiWise, Shinhan Investment Corp.

## Relative share performance of LG Display and Silicon Works



Source: QuantilWise, Shinhan Investment Corp.

## 4Q18 preliminary results

(bn KRW)	4Q18P	3Q18	QoQ (%)	4Q17	YoY (%)	Consensus	Gap (%)	SHIC	Gap (%)
Sales	236.0	213.9	10.3	199.7	18.2	220.4	7.1	219.0	7.8
OP	20.9	21.3	(1.8)	18.3	14.4	20.3	2.9	22.6	(7.4)
NP	16.4	17.7	(7.3)	24.0	(31.8)	18.4	(10.9)	19.9	(17.5)
OPM (%)	8.9	9.9		9.1		9.2		10.3	
NPM (%)	6.9	8.3		12.0		8.3		9.1	

Source: Company data, Shinhan Investment Corp.

## Earnings trend and outlook

(bn KRW)	1Q18	2Q18	3Q18	4Q18P	1Q19F	2Q19F	3Q19F	4Q19F	2017	2018F	2019F	2020F
Sales	162.2	179.7	213.9	236.0	192.2	218.0	252.0	272.0	692.8	791.8	934.2	996.0
Large D-IC	113.8	116.8	124.1	134.5	110.3	126.4	151.2	165.9	441.4	489.2	553.9	590.4
Small D-IC	24.9	35.9	51.3	56.6	48.1	48.0	52.9	57.1	143.6	168.8	206.1	221.0
SoC	22.6	21.6	36.4	40.1	31.7	41.4	45.4	46.2	94.0	120.6	164.7	174.6
Others	0.9	5.4	2.1	4.7	2.1	2.2	2.5	2.7	13.7	13.1	9.5	10.0
OP	3.2	10.5	21.2	20.9	10.4	15.3	27.0	29.1	45.5	55.8	81.7	88.6
Pre-tax profit	4.6	10.8	22.7	21.2	11.8	16.7	28.9	28.1	48.4	59.2	85.5	94.2
NP	6.1	8.7	17.7	16.4	9.3	13.7	23.9	20.6	47.1	49.0	67.5	74.5
OPM (%)	2.0	5.8	9.9	8.9	5.4	7.0	10.7	10.7	6.6	7.0	8.7	8.9
Pre-tax margin (%)	2.8	6.0	10.6	9.0	6.2	7.7	11.5	10.3	7.0	7.5	9.2	9.5
NPM (%)	3.8	4.9	8.3	6.9	4.9	6.3	9.5	7.6	6.8	6.2	7.2	7.5
Sales growth (% YoY)	2.4	16.5	18.5	18.2	18.5	21.3	17.8	15.3	13.6	14.3	18.0	6.6
Large D-IC	19.8	11.3	4.5	9.6	(3.1)	8.2	21.9	23.3	12.5	10.8	13.2	6.6
Small D-IC	(31.8)	46.2	43.8	20.8	93.2	33.4	3.1	0.8	88.4	17.5	22.1	7.3
SoC	(10.7)	(4.7)	50.8	82.8	40.5	92.1	24.7	15.3	(25.2)	28.3	36.6	6.0
Others	(44.0)	161.3	5.2	(41.7)	144.6	(59.6)	17.8	(42.4)	(12.5)	(4.5)	(27.3)	4.5
OP growth (% YoY)	(41.7)	61.2	38.4	14.4	227.5	45.3	27.2	39.3	(10.1)	22.5	46.5	8.5
Pre-tax profit growth (% YoY)	(30.5)	78.5	39.8	8.6	158.7	55.2	27.5	32.2	(16.7)	22.5	44.4	10.2
NP growth (% YoY)	(36.0)	56.1	39.1	16.0	175.2	41.5	25.9	37.1	(7.1)	4.1	37.9	10.2

Source: Company data, Shinhan Investment Corp.

## Balance Sheet

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Assets</b>	<b>486.0</b>	<b>544.3</b>	<b>584.6</b>	<b>649.0</b>	<b>718.1</b>
Total Current Assets	440.5	497.7	539.0	604.4	675.5
Cash and Cash Equivalents	262.9	74.7	70.2	80.9	128.3
Accounts Receivables	110.9	140.0	145.0	150.0	152.0
Inventories	58.3	61.0	70.0	74.0	76.0
Non-Current Assets	45.5	46.5	45.6	44.6	42.6
Tangible Assets	15.3	15.2	15.6	15.6	15.2
Intangible Assets	17.1	17.7	15.7	13.7	11.7
Investment Assets	3.7	4.8	5.5	6.4	6.9
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>105.3</b>	<b>132.1</b>	<b>134.8</b>	<b>143.0</b>	<b>149.1</b>
Current Liabilities	100.3	129.4	131.7	139.3	145.2
ST Borrowings	0.0	0.0	0.0	0.0	0.0
Account Payables	70.3	97.2	95.0	96.0	99.0
Current Portion of LT Debt	0.0	0.0	0.0	0.0	0.0
Non-Current Liabilities	5.0	2.7	3.1	3.7	3.9
Bonds	0.0	0.0	0.0	0.0	0.0
LT Borrowings(incl. LT Fin. Liab.)	0.0	0.0	0.0	0.0	0.0
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
<b>Shareholders' Equity</b>	<b>380.7</b>	<b>412.2</b>	<b>449.8</b>	<b>506.0</b>	<b>569.0</b>
Capital Stock	8.1	8.1	8.1	8.1	8.1
Capital Surplus	76.3	76.3	76.3	76.3	76.3
Other Reserves	0.0	0.0	0.0	0.0	0.0
Accu. Other Comp. Income	1.5	1.6	1.6	1.6	1.6
Retained Earnings	294.7	326.1	363.7	419.9	482.9
Owners of Parent Equity	380.7	412.2	449.8	506.0	569.0
Non-Controlling Interests Equity	0.0	0.0	0.0	0.0	0.0
*Total Debt	0.0	0.0	0.0	0.0	0.0
*Net Debts(Cash)	(263.0)	(274.9)	(299.0)	(350.9)	(416.1)

## Cash Flow

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Operating Cash Flow</b>	<b>49.0</b>	<b>32.5</b>	<b>41.1</b>	<b>70.2</b>	<b>84.0</b>
Net Profit	50.7	47.1	49.0	67.5	74.5
Depreciation	2.7	2.9	4.6	6.0	7.4
Amortization	6.9	2.5	2.0	2.0	2.0
Losses(Gains) on F/X Translation	0.3	0.3	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Losses(Gains) in Asso., Subs., JVs	0.0	0.0	0.0	0.0	0.0
Chg. in A/L from Op. Activities	(17.0)	(14.8)	(14.4)	(5.3)	0.2
(Payments of Income Taxes)	(8.9)	(11.9)	(10.2)	(18.0)	(19.8)
Others	14.3	6.5	10.2	18.1	19.8
<b>Investing Cash Flow</b>	<b>0.6</b>	<b>(205.9)</b>	<b>(34.3)</b>	<b>(48.1)</b>	<b>(25.3)</b>
Incr. in Tangible Assets(CAPEX)	(3.2)	(3.0)	(5.0)	(6.0)	(7.0)
Decr. in Tangible Assets	0.0	0.3	0.0	0.0	0.0
Decr.(Incr.) in Intangible Assets	(0.4)	(1.9)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	5.2	0.3	(0.7)	(1.0)	(0.4)
Others	(1.0)	(201.6)	(28.6)	(41.1)	(17.9)
<b>Free Cash Flow</b>	<b>42.8</b>	<b>31.2</b>	<b>32.4</b>	<b>59.8</b>	<b>72.0</b>
<b>Financing Cash Flow</b>	<b>(16.3)</b>	<b>(14.6)</b>	<b>(11.4)</b>	<b>(11.4)</b>	<b>(11.4)</b>
Incr.(Decr.) in Borrowing	0.0	0.0	0.0	0.0	0.0
Decr.(Incr.) of Treasury Stock	0.0	0.0	0.0	0.0	0.0
Dividend	(16.3)	(14.6)	(11.4)	(11.4)	(11.4)
Others	0.0	0.0	0.0	0.0	0.0
Other Cash Flows	0.0	0.0	0.0	0.1	0.0
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	(0.0)	(0.1)	0.0	0.0	0.0
<b>Incr.(Decr.) in Cash</b>	<b>33.4</b>	<b>(188.2)</b>	<b>(4.5)</b>	<b>10.7</b>	<b>47.3</b>
Beginning Cash	229.5	262.9	74.7	70.2	80.9
Ending Cash	262.9	74.7	70.2	80.9	128.3

Source: Company data, Shinhan Investment Corp.

## Profit and Loss

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Sales</b>	<b>610.0</b>	<b>692.8</b>	<b>791.8</b>	<b>934.2</b>	<b>996.0</b>
Growth (%)	13.8	13.6	14.3	18.0	6.6
<b>COGS</b>	<b>479.7</b>	<b>540.4</b>	<b>591.1</b>	<b>693.6</b>	<b>744.1</b>
<b>Gross Profit</b>	<b>130.4</b>	<b>152.4</b>	<b>200.7</b>	<b>240.6</b>	<b>251.9</b>
Gross margin (%)	21.4	22.0	25.3	25.8	25.3
<b>SG&amp;A</b>	<b>79.8</b>	<b>106.9</b>	<b>144.9</b>	<b>158.9</b>	<b>163.3</b>
<b>Operating Income</b>	<b>50.6</b>	<b>45.5</b>	<b>55.8</b>	<b>81.7</b>	<b>88.6</b>
Growth (%)	(9.4)	(10.1)	22.5	46.5	8.5
Operating margin (%)	8.3	6.6	7.0	8.7	8.9
<b>Other Net Non-Operating Profits</b>	<b>7.4</b>	<b>2.8</b>	<b>3.5</b>	<b>3.8</b>	<b>5.6</b>
Financial Income(Expenses)	7.5	3.7	4.0	4.5	5.3
Net Other Non-Operating Profits	(0.0)	(0.8)	(0.5)	(0.7)	0.3
Net Gains in Asso., Subs., and JVs	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit from Cont. Op.</b>	<b>58.0</b>	<b>48.4</b>	<b>59.2</b>	<b>85.5</b>	<b>94.2</b>
Income Taxes	7.3	1.3	10.2	18.0	19.8
Profit from Continuing Op.	50.7	47.1	49.0	67.5	74.5
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>50.7</b>	<b>47.1</b>	<b>49.0</b>	<b>67.5</b>	<b>74.5</b>
Growth (%)	4.6	(7.1)	4.1	37.9	10.2
Net Profit margin (%)	8.3	6.8	6.2	7.2	7.5
Net Profit of Parent	50.7	47.1	49.0	67.5	74.5
Net Profit to Non-Controlling	0.0	0.0	0.0	0.0	0.0
<b>Total Comprehensive Income</b>	<b>49.4</b>	<b>46.2</b>	<b>49.0</b>	<b>67.5</b>	<b>74.5</b>
Total Comp. Income of Parent	49.4	46.2	49.0	67.5	74.5
Total Comp. Income to Non-Cont.	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>60.2</b>	<b>50.9</b>	<b>62.4</b>	<b>89.7</b>	<b>98.0</b>
Growth (%)	(14.3)	(15.4)	22.5	43.8	9.3
EBITDA Margin (%)	9.9	7.4	7.9	9.6	9.8

Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&amp;A costs)

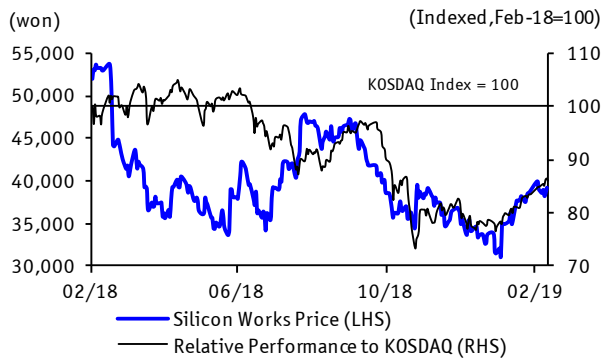
## Key Ratios

Year to Dec.	2016	2017	2018F	2019F	2020F
EPS_C (won)	3,116	2,894	3,011	4,153	4,578
EPS_P (won)	3,116	2,894	3,011	4,153	4,578
BPS_C (won)	23,406	25,345	27,657	31,110	34,988
BPS_P (won)	23,406	25,345	27,657	31,110	34,988
DPS (won)	900	700	700	700	700
PER_C (x)	8.9	18.3	11.2	9.4	8.5
PER_P (x)	8.9	18.3	11.2	9.4	8.5
PBR_C (x)	1.2	2.1	1.2	1.3	1.1
PBR_P (x)	1.2	2.1	1.2	1.3	1.1
EV/EBITDA (x)	3.1	11.5	4.0	3.2	2.2
Payout Ratio (%)	28.9	24.2	23.2	16.9	15.3
Dividend Yield (%)	3.2	1.3	2.1	1.8	1.8
<b>Profitability</b>					
EBITDA Margin (%)	9.9	7.4	7.9	9.6	9.8
OP Margin (%)	8.3	6.6	7.0	8.7	8.9
NP Margin (%)	8.3	6.8	6.2	7.2	7.5
ROA (%)	10.7	9.1	8.7	11.0	10.9
ROE (%)	13.9	11.9	11.4	14.1	13.9
ROIC (%)	37.6	36.8	33.6	44.0	47.3
<b>Stability</b>					
D/E Ratio (%)	27.7	32.0	30.0	28.3	26.2
Net Debt to Equity (%)	(69.1)	(66.7)	(66.5)	(69.3)	(73.1)
Cash Ratio (%)	262.1	57.8	53.3	58.1	88.3
Interest Coverage (x)	N/A	N/A	N/A	N/A	N/A
<b>Activity (%)</b>					
Working Capital Turnover (t)	7.8	7.7	7.5	8.0	8.3
Inventory Turnover (d)	35.2	31.4	30.2	28.1	27.5
Receivable Turnover (d)	66.3	66.1	65.7	57.6	55.3

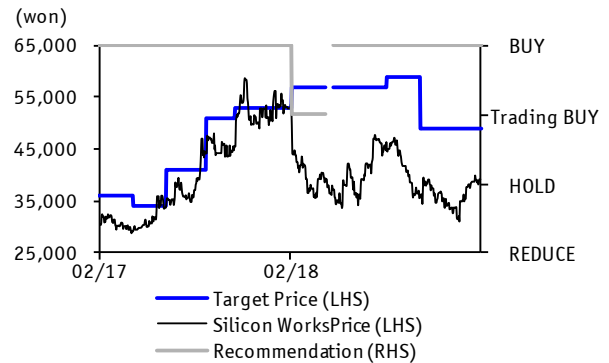
Source: Company data, Shinhan Investment Corp.

## Silicon Works (108320 KS)

### Share Price Performance



### Target Price



### Compliance Notice

- ◆ Analyst Certification: The following analysts hereby certify the information and material presented in this report are accurate expressions of their views, and that they have not received wrongful pressure to express such views: HyunCheol Soh.
- ◆ As of the date of this report's publication, Shinhan Investment Corp.'s shareholdings in the company mentioned in this report (Silicon Works) do not exceed 1% of outstanding shares of the company.
- ◆ As of this date, Shinhan Investment Corp. has not participated as the lead underwriter or advisor in issuance of the securities of the company during the past 1 year.
- ◆ As of this date, the covering analyst does not possess any financial interest in the securities or debt instruments convertible into such shares of the company, which is required to be disclosed by law, and has not and will not receive any compensation of any kind whatsoever in exchange for expressing specific recommendations.
- ◆ All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date, and may differ from actual results.
- ◆ This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- ◆ This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

Date	Recommendation	Target Price (won)	Target Price Gap (%)	
			Average	Max/Min
2017.04.25	BUY	34,000	(6.3)	5.6
2017.06.27	BUY	41,000	(8.0)	14.6
2017.09.11	BUY	51,000	(10.9)	(5.8)
2017.11.05	BUY	53,000	(0.6)	10.9
2018.02.21	Trading BUY	57,000	(30.2)	(21.5)
2018.04.27	No Coverage	-	-	-
2018.05.11	BUY	57,000	(29.5)	(16.2)
2018.08.21	BUY	59,000	(28.9)	(20.0)
2018.10.24	BUY	49,000	-	-

Note: Calculation of target price gap based on the past 6 months

### Distribution

- ◆ **United States:** This report is distributed in the U.S. by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Investment Corp. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.
- ◆ **All Other Jurisdictions:** Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan and its affiliates to any registration or licensing requirement within such jurisdiction.

### SHIC Rating Classifications (As of Apr. 1, 2017)

Stock	Sector
<ul style="list-style-type: none"> <li>◆ <b>BUY:</b> Expected return of over +10% in the next 6 months</li> <li>◆ <b>Trading BUY:</b> Expected return of -10% ~ +10% in the next 6 months</li> <li>◆ <b>HOLD:</b> Expected return of -20% ~ -10% in the next 6 months</li> <li>◆ <b>REDUCE:</b> Expected return of below -20% in the next 6 months</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>OVERWEIGHT:</b> Prevalence of BUY rating for stocks in our sector coverage universe based on market cap</li> <li>◆ <b>NEUTRAL:</b> Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap</li> <li>◆ <b>UNDERWEIGHT:</b> Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap</li> </ul>

### SHIC Universe Rating Classification Ratio (as of Feb. 15, 2019)

BUY (BUY)	94.01%	Trading BUY (HOLD)	3.23%	HOLD (HOLD)	2.76%	REDUCE (SELL)	0%
-----------	--------	--------------------	-------	-------------	-------	---------------	----