

Samsung Stock A Good Buy Now (LON: BC94, FRA: SSUN, KRX: 005930)

Table of Contents

- Samsung Stock And Stock Price Overview 1**
- Samsung Business Overview 2**
- Samsung Stock Valuation 6**
- Investing in Samsung Stock 8**

Samsung Stock And Stock Price Overview

Samsung stock is down almost 50% from the 2021 semiconductor boom, but this is still Samsung, with its strong market position, brand, high investment and profitability over the cycle. Let's check the investing situation.



Samsung Electronics 1 GDS Representing 2...

LON: BC94

Market Summary > Samsung Electronics 1 GDS Representing 25 Ord Shs

1.066,00 USD

+ Follow

+662.31 (164.06%) ↑ all time

4 Nov, 10:53 GMT • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open 1.070,00 Mkt cap 390,20T KRW CDP score A-

Samsung stock price chart

The stock is trading in Frankfurt and London and in Korea. (LON: BC94, FRA: SSUN, KRX: 005930). US investors have to check whether they have access to the Korean or European stock exchanges as there is no ADR. [IBKR might](#) have access to Korea.

1 share in London and Frankfurt represents 25 shares in Korea. The market capitalization is 390 trillion KRW or around \$283 billion USD.

1 United States Dollar equals

**1.375,50 South
Korean won**

USD to KRW

Samsung Business Overview

Samsung's business is global electronic devices, semiconductors, other smartphone panels and automotive digital.

D. Core businesses

- The Company (defined below) consists of the Device eXperience (DX) Division and Device Solutions (DS) Division, Samsung Display (SDC) and its subsidiaries, and Harman International Industries, Inc. (Harman) and its subsidiaries. SDC runs the display panel business, and Harman operates businesses related to automotive electronics components, etc.

SEC is a global electronics firm consisting of its headquarters in Korea and 232 subsidiaries (collectively, "Samsung Electronics", the "Company", or "we") across the world, including 9 regional headquarters for the DX Division, 5 regional headquarters for the DS Division, production and sales subsidiaries, and SDC and Harman.

Key products by each organization are set forth below:

Organization	Key products
DX Division	TVs, monitors, refrigerators, washing machines, air conditioners, smartphones, telecommunications network systems, computers, etc.
DS Division	DRAM, NAND flash, mobile APs, etc.
SDC	OLED panels for smartphones, etc.
Harman	Digital cockpits, car audio, portable speakers, etc.

In December 2021, the Company merged the CE and IM Divisions to create the DX Division; and it separated SDC and the DS Division to align with the corporate organizational structure.

The key business segments are the device experience DX and device solutions or semiconductor memory DS. Those 2 divisions contributed to 78% of profits in the last quarter.

Results by Business Segments

Sales

(Unit: KRW trillion)

	3Q23	2Q24	3Q24	QoQ	YoY
Total	67.40	74.07	79.10	7%↑	17%↑
DX	44.02	42.07	44.99	7%↑	2%↑
MX / NW	30.00	27.38	30.52	11%↑	2%↑
MX	29.25	26.64	29.98	13%↑	3%↑
VD / DA	13.71	14.42	14.14	2%↓	3%↑
VD	7.32	7.54	7.58	1%↑	4%↑
DS	16.44	28.56	29.27	3%↑	78%↑
Memory	10.53	21.74	22.27	2%↑	112%↑
SDC	8.22	7.65	8.00	5%↑	3%↓
Harman	3.80	3.62	3.53	2%↓	7%↓

Operating Profit

(Unit: KRW trillion)

	3Q23	2Q24	3Q24	QoQ	YoY
Total	2.43	10.44	9.18	(1.26)	6.75
DX	3.73	2.72	3.37	0.65	(0.36)
MX / NW	3.30	2.23	2.82	0.59	(0.48)
VD / DA	0.38	0.49	0.53	0.04	0.15
DS	(3.75)	6.45	3.86	(2.59)	7.62
SDC	1.94	1.01	1.51	0.50	(0.42)
Harman	0.45	0.32	0.36	0.04	(0.10)

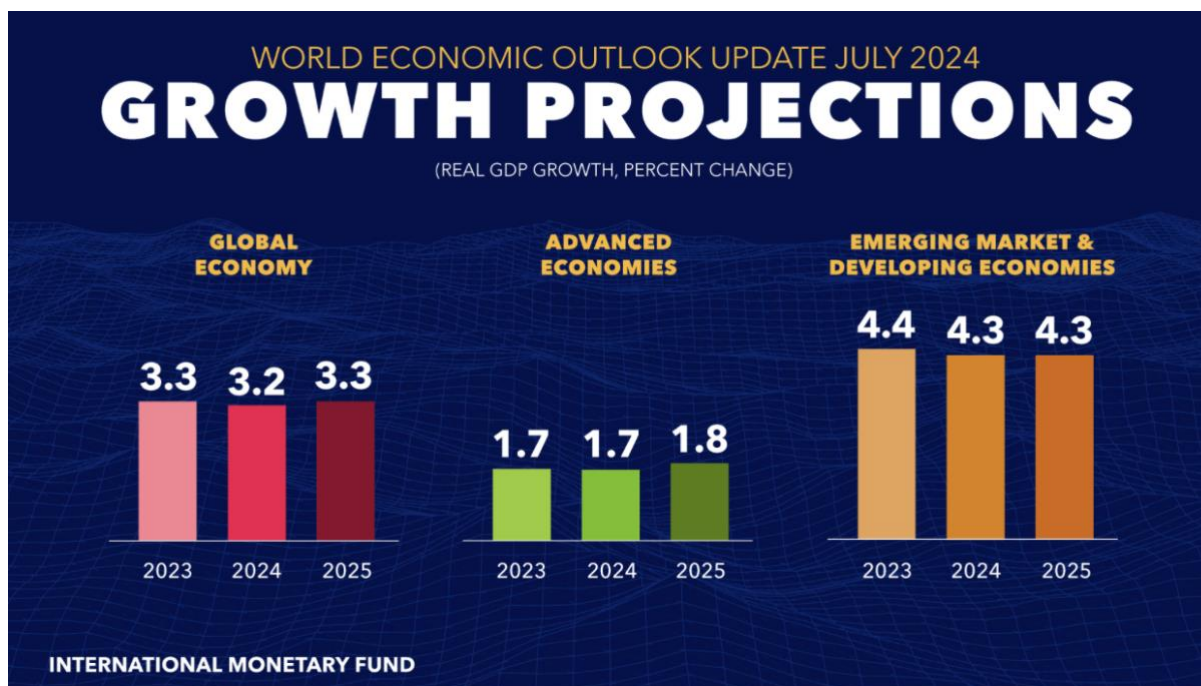
* Sales and operating profit of each business stated above reflect the organizational structure as of December 2021 and the sales of business units include intersegment sales.
 * The DX Division provides earnings call materials based on the business structure before the reorganization to prevent confusion and to improve understanding among investors.
 * DX: Device eXperience MX: Mobile eXperience DS: Device Solutions
 * Harman's sales and operating profit figures are based on Samsung Electronics' fiscal year and acquisition related expenses are reflected.

Here are the key products from 2023:

Year	Products
2023	Released ISOCELL HP2, a 200-megapixel image sensor concentrated with ultra-fine pixel technology
	Unveiled the Galaxy S23 series
	Developed CXL 2.0 DRAM for high-density memory processor, an industry first
	Started mass producing the industry's most advanced 12-nano class DRAM
	Opened Samsung Gangnam, an immersive flagship store
	Developed high-performance GDDR7 DRAM for graphics, an industry first
	Unveiled the Galaxy Z Fold5 and Galaxy Z Flip5
	Developed 32Gb DDR5 DRAM, the largest capacity currently available
	Developed industry's first LPCAMM, a next-generation DRAM
	Unveiled Samsung Gauss, a generative AI model

On the business, I would conclude that the two key driving factors are global economic demand for the devices, sector competitiveness and the semiconductor cycle for the memory part.

The device sector has positive tailwinds as economic growth continues to be strong for emerging markets which is also where the customers live.



Samsung should have some competitive advantages thanks to its size and brand with customers. Its market share is the largest in the world and slowly growing.

Samsung Reigns Supreme in the Smartphone Market

Below, we show the leading smartphone companies globally as of the second quarter of 2024:

Company	Q2 2024 Shipments (Millions of Units)	Market Share	YoY Growth
Samsung	53.9	18.9%	0.7%
Apple	45.2	15.8%	1.5%
Xiaomi	42.3	14.8%	27.4%
vivo	25.9	9.1%	21.9%
OPPO	25.8	9.0%	1.8%
Others	92.1	32.3%	2.3%
Total	285.4	100.0%	6.5%

Source: [Visualcapitalist](https://www.visualcapitalist.com)

Given Samsung's size and position, there can be ups and downs but one could expect stability from the segment going forward and likely growing in line with the market.

The device solutions segment will not be stable as it will fluctuate alongside the semiconductor price cycle.

The cycle:



G. Dan Hutcheson

The Chip Insider®

The Case for a Mild Slowing in 2023: It is always a red flag whenever there is a wide range of forecasts from forecasters... Current semiconductor forecasts for 2023 are ranging in the negative between low-single digits and -20-plus percent. My personal belief is it will be in the low-single digits with a high potential for an upside surprise. But first, let's review a cyclical history of the semiconductor industry to get a better understanding of why this is the likely case...

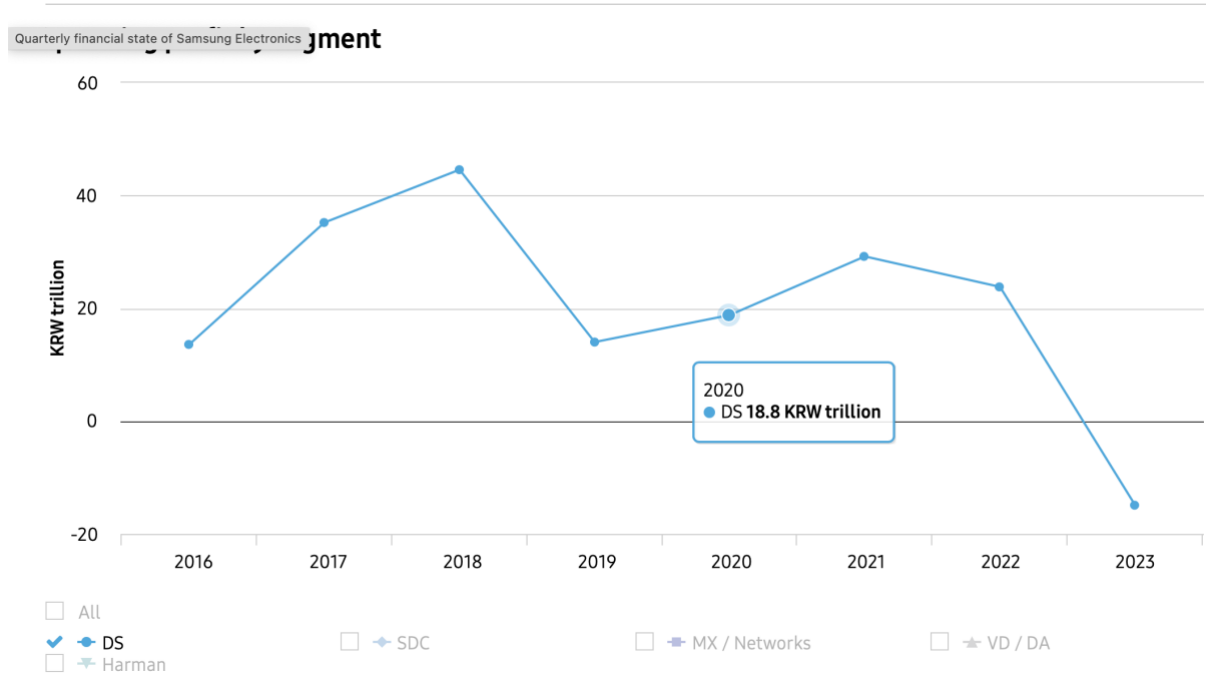
Cyclical History of the Semiconductor Industry: There have been 13 recessive growth periods since the Integrated Circuit market emerged in 1963. That's an average of one every 4.5 years. There have been 6 since 2000, for an average of 3.7 years. The average semiconductor downturn since 1963 is -8%. For equipment it's -21%. The range has deviated from -56% to +12%...

Source: [techinsights](#)

Nobody can predict these cycles, so as an investor all I can do is check Samsung's average profitability over the cycle and then use that for a valuation.

Samsung Stock Valuation

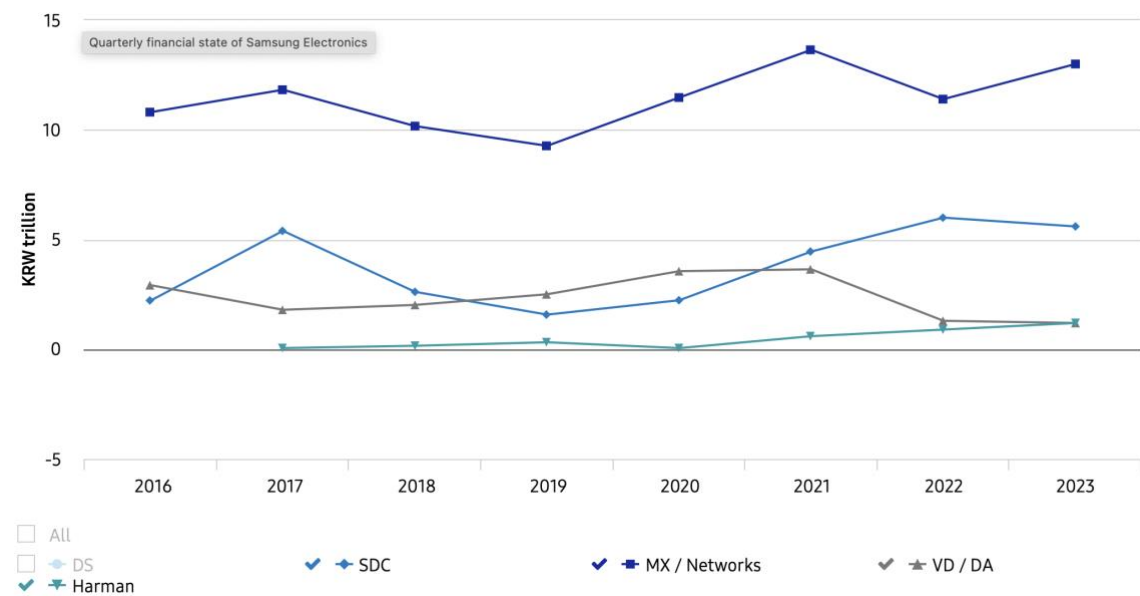
There was a loss in 2023, but in general the DS segment makes around 15 trillion KRW in operating profits per year. Those profits will be higher in boom years and lower or a loss in cycle downturns.



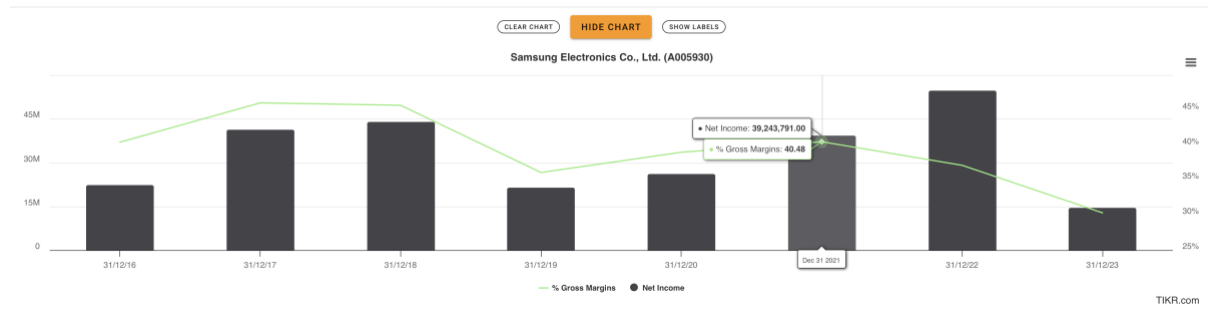
DS operating profit per year

The other segments are not that significant but still contribute a bit.

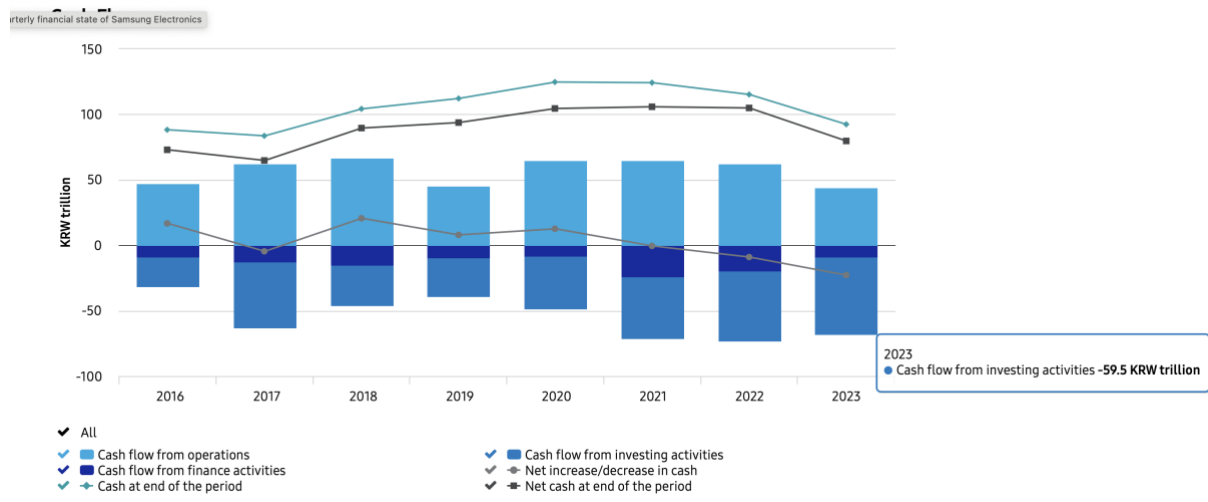
Operating profit by Segment



All in all, over the cycle, we are at around 40 trillion KRW in profits.



I also see an extremely high level of investing activities that should lead to growth in profits over time. However, there is always the question of global competitiveness.



Samsung's cash flows

The financial position is very strong, I would even say too strong as debt is low.

		2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	KRW trillion	262.2	301.8	339.4	352.6	378.2	426.6	448.4	455.9
Current Assets	KRW trillion	141.4	147.0	174.7	181.4	198.2	218.2	218.5	195.9
Non-Current Assets	KRW trillion	120.7	154.8	164.7	171.2	180.0	208.5	230.0	260.0
Current Liabilities	KRW trillion	54.7	67.2	69.1	63.8	75.6	88.1	78.3	75.7
Total Shareholder Equity	KRW trillion	193.0	214.5	247.8	262.9	275.9	304.9	354.7	363.7

Samsung's financial position

The stock is trading close to book value and there is practically no debt. This gives some kind of margin of safety as competitors will feel the pressure of their debt, especially as they used it for buybacks at high stock prices which Samsung conservatively didn't.

Investing in Samsung Stock

We have a 2.5% dividend that they are going to keep and likely sustain. The current PE ratio is 15, and if the earnings go back to 40 trillion from the current 30 trillion for the last 12 months, the stock will likely follow as the market gives Samsung a PE ratio of 15.



Samsung shareholder returns

Given that we are trading close to book value, there is no debt, we should be close to the bottom for Samsung's stock and also given the cyclical PE ratio of 10 on average earnings over the last cycle, it looks like an interesting starting position to follow the cycle.

Of course, if there is a stronger recession in Europe and the US, if the AI exuberance slows down, there is still room for a stock decline, even significant.

For me, given the extreme investments, I can see the competitive advantage is weak, there is no moat. However, it should do ok over time, and it looks like a good stock to buy, and the financial conservativeness is also a long-term benefit. It doesn't fit the requirements I am looking for like stronger cash flows, more competitive advantages and not just commodity pricing on capacity for the model or my personal portfolio but it might be an interesting play for the [diversified portfolio](#).

I can't start a position as the share costs \$1000 which is a shame but there will be other opportunities like this one. I would put this into the 10th to 20th pick, so it isn't relevant.

As it doesn't have a strong moat, I will not put it into the covered stocks because it is extremely unlikely I will buy this for the model portfolio, but it is an interesting one to follow.

Strategy for a diversified portfolio: mid diversified portfolio position, in case it goes lower 30 % or more, increase to full position and play the cycle. The no debt financial position allows for such a trade.

I will find others offering similar or better returns, no worries.

