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Universal Display: Asensio Criticizes Goldman Claims of Samsung Upside

By Tiernan Ray

Shares of organic light-emitting diode (OLED) technology vendor **Universal Display** ([OLED](#)) are down \$1.20, or 3%, at \$36.08, as the stock receives some criticism today from a familiar opponent, **Manuel Asensio-Garcia**, whose firm has many times in past questioned the basis of the company's intellectual property claims in the field.

The subject of the note circulated today by Asensio is a report issued yesterday by **Goldman Sachs** analyst **Brian Lee**, who reiterated a Buy rating on the shares, and a \$45 price target.

Lee wrote that two new gadgets from **Samsung Electronics** ([005930KS](#)) debuted on Wednesday, the Galaxy Note 3 smartphone, and the Galaxy Gear smart watch, will use Universal's OLED-based display technology:

We believe the Note 3 is likely to use a similar recipe of both red emitter and green emitter/host materials from OLED that is currently designed into Samsung's flagship Galaxy S IV smartphone. Given the larger screen size of the Note 3 relative to the S IV (5.7" vs. 4.99"), we estimate 15mn Note 3 units equates to roughly 20mn S IV units on a like-for-like revenue impact basis to OLED. To put this into perspective, we note S IV units are expected to average c.20mn units per quarter in the near-term, thus suggesting potentially significant revenue upside from a successful Note 3 launch in 2H13. Also, while we maintain more of a wait-and-see stance on the Galaxy Gear, we see increasing proliferation of OLED display technology across a greater number of applications as a medium-to-longer term positive for OLED. We reiterate our Buy rating, and see an official guidance increase on the 3Q13 earnings call as a key catalyst for the stock. Our 2013 revenue estimate of \$136mn remains above the high end of guide and consensus of \$128mn.

Asensio criticizes Lee for his claims about the use of red and green emitter materials:

This leaves the impression that Mr. Lee has made a unique and sudden discovery, a discovery of something so new and unexpected and material that it would cause UDC to change its official guidance. In fact, on UDC's last earnings call UDC stated that "we're now in the Galaxy 4 and a number of other products and that use red and green material." Furthermore, at a Cannacord Conference on August 15, 2013 UDC stated "in this quarter [Samsung] included our green and our host materials."

Asensio claims that Universal's management's statements publicly don't support the assertions Lee is making about what Samsung is using or not using:

Perhaps Mr. Lee is confused and simply missed UDC's public proclamation. Immediately before the second

quarter was announced, Mr. Lee spoke to UDC's management during a public meeting. A transcript of this meeting is available. During the open discussion, Mr. Lee repeatedly probed and questioned UDC's management about what they knew about Samsung's recipe for the Samsung Galaxy S IV. Oddly UDC denied knowledge in many different ways. UDC told Mr. Lee that they didn't know, that Samsung had no obligation to tell them and that they could not speak for Samsung. In fact, UDC refused even to confirm that the Galaxy S IV used green phosphorescent emitter material or that if Samsung was using phosphorescent green emitter material, whether UDC was the supplier, exclusively or otherwise. More concrete is the wild disconnect between UDC's reported sales and timing of Samsung's build-up of startup inventory of new products, the timing of its purchases of UDC's green phosphorescent product, the decline in unit pricing and margins of UDC's red phosphorescent emitter material sales to Samsung versus to the timing of introduction of the Galaxy S IV phones and now the Galaxy Note 3.

I have a request in to Lee's office for any feedback on the claims Asensio raises, and have made requests to Universal as well.

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