

TTDKY - TDK Corporation

SELL

Quant rating

Market cap

\$20.15B

EPS Growth (FWD)

18.33%

P/E (FWD)

17.50

Industry

Electronic Components

COMPANY DESCRIPTION

TDK Corporation, founded in 1935 and headquartered in Tokyo, Japan, is a prominent player in the global electronic components industry. The company operates through several segments, including Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products. TDK's Passive Components segment offers a wide range of products such as ceramic capacitors, aluminum electrolytic capacitors, film capacitors, and inductive devices like ferrite cores and coils. The Sensor Application Products segment includes temperature, pressure, and magnetic sensors, while the Magnetic Application Products segment focuses on hard disk drive (HDD) heads and suspension assemblies, as well as magnets. The Energy Application Products segment is known for its rechargeable batteries and power supplies.

TDK has a substantial international presence, with operations spanning Japan, Europe, China, Asia, the Americas, and other global markets. The company is recognized for its innovation in small-scale battery technology and material science, holding a dominant market share in smartphone battery components and leading the charge in silicon anode batteries. TDK's diverse product portfolio positions it upstream of key growth markets such as IoT, EVs, and consumer technology. Known previously as Tokyo Denki Kagaku Kogyo K.K., TDK changed its name in 1983 to the current corporate identity.

COMPETITORS AND UNIQUE VALUE

TDK Corporation faces competition from several key players in the electronic components industry. These competitors include:

- [Murata Manufacturing Co., Ltd.](#)
- [Samsung Electro-Mechanics Co., Ltd.](#)
- [Taiyo Yuden Co., Ltd.](#)

TDK's unique value proposition lies in its strong market position and innovation in small-scale battery technology and material science. The company is a leader in small solid-state batteries and has a robust R&D focus, being the first to market with silicon anode batteries. TDK's extensive product range and strategic partnerships, such as its supply agreement with Apple, provide a competitive edge. Additionally, TDK's emphasis on capital efficiency and commitment to shareholder returns enhance its standing in the industry.

SEEKING ALPHA QUANT RATING EXPLANATION

TTDKY is rated Sell. The company demonstrates a complex scenario with strong profitability and some positive growth aspects but struggles with valuation, momentum, and earnings revisions.

Valuation	Growth	Profitability	Momentum	Revisions
C+	B+	A-	D+	F

Sector Metrics Comparative Analysis:

- Valuation:** TTDKY trades at a significant discount in many areas, with an EV/EBIT ratio of 14, which is 44% cheaper than the sector median of 25. However, the stock's Price to Book ratio of 1.75 suggests it might be undervalued compared to the sector's 3.5.
- Growth:** TTDKY exhibits remarkable growth in certain areas, with EPS Growth YoY at 72%, greatly outpacing the sector's 10%. This indicates a strong upward trend in earnings potential, although other growth metrics show less momentum.
- Profitability:** The company's profitability is robust, with a Net Income Margin of 8%, significantly above the sector's 4%. This reflects efficient operations and strong financial performance.
- Momentum:** TTDKY's stock momentum is weak, with a 3-month price performance decline of 9%, compared to the sector's positive 8%. This suggests bearish sentiment and declining investor confidence.
- Revisions:** Earnings revisions are concerning, with 1 downward EPS revision and no upward revisions in the last three months, indicating a pessimistic outlook from analysts.

In summary, while TTDKY showcases strong profitability and some impressive growth metrics, the stock's valuation, weak momentum, and negative earnings revisions suggest caution. Consequently, it is rated Sell, reflecting the potential challenges the company faces in aligning with sector expectations.

POSITIVES RAISED BY ANALYSTS ON SEEKING ALPHA

*There are very few or no recent analysis available

- TDK Corporation has a dominant market share in several areas, including smartphone battery components, and holds the #1 market share of 50-60% in small capacity batteries for IoT and wearables. [Read more](#)
- TDK Corporation's growing exposure to tech trends like EVs, electrification, and 'edge AI' presents compelling growth opportunities, with initiatives like the scaling of silicon anode battery technology. [Read more](#)
- The company's strong manufacturing and materials science expertise, evident in its pioneering role in silicon anode batteries, positions TDK well in the high-tech manufacturing sector. [Read more](#)

[Read more analysis on TTDKY](#)

CONCERNS RAISED BY ANALYSTS ON SEEKING ALPHA

*There are very few or no recent analysis available

- The potential licensing agreement with CATL for battery components could face scrutiny due to geopolitical tensions between the US and China, raising risks of regulatory challenges. [Read more](#)
- TDK faces challenges in funding a potential US facility for automotive batteries, as the capital intensity required is significant and may necessitate substantial debt funding. [Read more](#)
- There is concern over the cyclicity of TDK's end-markets, such as electric vehicles and hard disk drives, which could impact demand for its products. [Read more](#)

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