

One-Asia Morning Focus

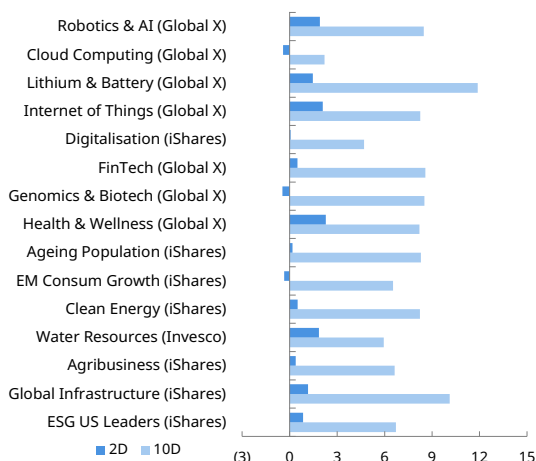
Today's reports

JYP Entertainment (035900 KQ/Buy/TP: W47,000) **Upgrade rating/Raise TP** – New group debut, potential concert return
NCsoft (036570 KS/Buy/TP: W1,260,000) – New titles, new platforms, and new markets in 2021
Vatech (043150 KQ/Buy/TP: W33,000) – Riding out the storm while strengthening competitiveness
Rayence (228850 KQ/Buy/TP: W17,000) – Another disappointing quarter

Global performance monitor: Two-day change (%)

	Asia xJPN	World EM	World DM	Korea	Japan	China	Taiwan	HK	India	Indonesia	Singapore	Thailand
Index	0.94	0.81	0.07	4.00	0.95	2.17	3.38	-1.14	0.88	0.79	1.49	0.90
Growth	1.66	2.89	0.21	4.01	0.87	5.00	5.16	-0.75	0.84	0.70	1.63	0.70
Value	-0.94	-0.88	0.55	3.99	1.04	-1.35	1.06	-1.64	0.92	0.87	1.36	1.09
Semicon. & equip.	1.14	1.14	0.21	11.79	6.25	-1.04	5.25	2.35	N/A	N/A	N/A	N/A
Tech hardware & equip.	1.77	1.79	0.40	7.21	0.73	-1.47	1.42	-1.15	1.44	N/A	1.69	N/A
Comm. & prof. services	2.40	2.40	-0.24	0.50	1.34	-1.81	0.57	N/A	1.32	1.42	N/A	N/A
Software & services	0.45	0.42	-0.21	0.69	-1.51	2.28	0.30	5.51	0.77	N/A	6.17	N/A
Media & entertainment	6.50	6.18	1.80	0.89	-0.71	0.34	1.63	0.76	2.08	N/A	N/A	N/A
Consumer goods	1.49	1.20	-0.22	0.62	3.29	0.96	1.17	N/A	0.19	0.36	N/A	-0.22
Consumer services	1.27	1.85	-0.12	-1.90	0.21	0.50	4.71	-0.86	4.10	-0.68	8.22	2.92
F&B & tobacco	0.35	0.07	0.12	-0.56	0.98	1.01	0.60	1.38	0.55	0.43	1.57	-0.27
Food & staples retailing	-0.90	0.47	0.96	-0.56	1.07	-0.25	0.06	-1.86	-1.05	N/A	-0.47	-0.28
Retailing	3.36	3.14	0.92	0.54	3.31	-2.92	4.78	0.12	1.39	0.72	2.52	3.02
HH & personal products	0.65	0.60	0.47	-2.05	-0.92	-0.34	0.89	N/A	-0.22	-0.54	N/A	N/A
Pharma & life sciences	1.46	1.49	0.56	1.47	0.00	0.51	0.89	-2.44	1.52	0.76	N/A	N/A
Autos & parts	2.84	2.86	-0.28	2.44	2.15	0.90	0.18	6.16	0.81	-0.83	N/A	N/A
Transportation	0.39	-0.08	0.11	0.08	-0.73	1.94	1.85	-1.07	0.09	N/A	-1.62	1.16
Capital goods	-0.87	-1.43	0.27	3.01	0.13	1.41	0.12	1.61	-0.62	N/A	2.30	-8.07
Materials	-0.32	-0.38	-0.43	-0.58	1.19	3.98	0.52	N/A	1.00	-1.29	N/A	0.35
Real estate	-1.83	-2.10	-0.18	-0.09	0.28	-0.81	-0.46	-2.29	1.10	N/A	1.07	3.89
Energy	-1.43	-1.41	-1.06	0.05	-0.17	2.09	0.06	N/A	1.49	1.46	4.24	1.22
Banks	-2.19	-1.82	-1.16	0.92	1.31	-1.02	1.02	-3.39	0.72	1.33	1.03	3.99
Diversified financials	-0.38	-2.35	-0.05	3.78	0.01	0.21	1.22	1.53	1.85	N/A	0.82	-3.01
Telecom services	-3.10	-2.45	0.41	0.72	0.99	-0.37	-0.13	-0.40	0.46	1.43	3.75	-0.23
Utilities	-1.24	-1.37	-0.61	0.74	1.00	-0.92	0.06	-1.16	-0.27	3.84	N/A	-0.01

Key thematic ETFs: Change (%)

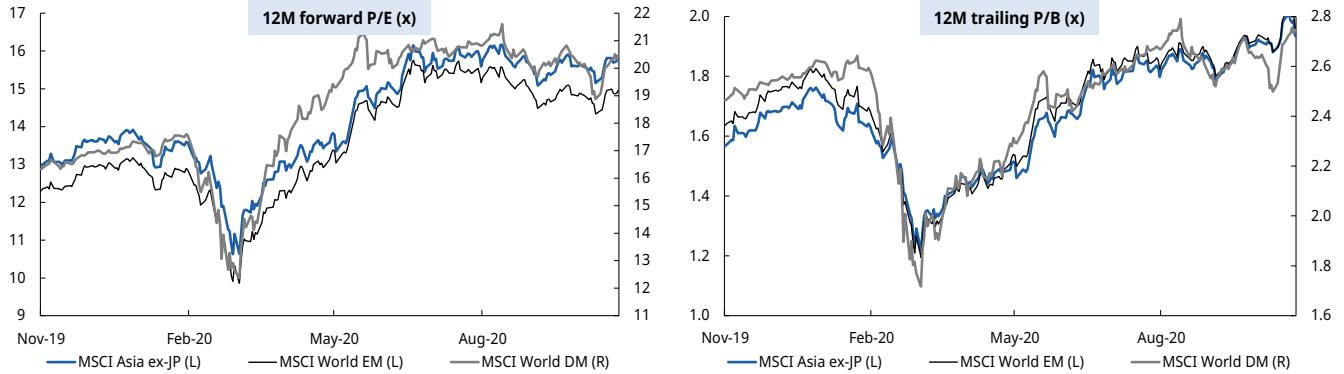


Market movers

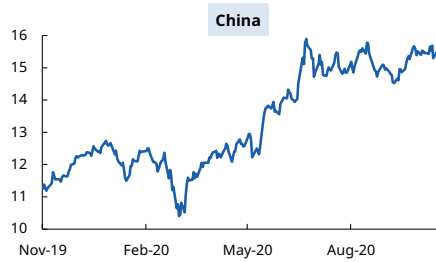
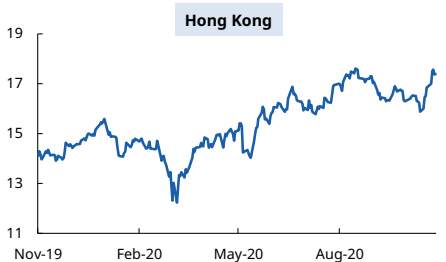
Name	Ctry	Sector	Mkt cap (US\$m)	US dollar total returns (%)								
				1D	1M	3M	6M	1Y	3Y			
Top seven performers												
SK Hynix	KR	Information tech.	64,318	9.9	18.8	30.5	32.8	22.2	23.7			
CIMB Group	MY	Financials	9,088	9.8	24.6	8.2	15.2	-24.7	-27.0			
Genting Singapore	SG	Consumer disc.	7,233	8.3	21.3	13.9	19.7	-11.2	-32.2			
Korea Shipbuilding	KR	Industrials	6,310	7.8	28.5	10.1	40.0	-11.5	-30.6			
Eicher Motors	IN	Consumer disc.	9,214	7.0	9.0	25.5	80.7	14.4	-26.3			
Quanta Computer	TW	Information tech.	10,314	6.5	4.9	-3.1	28.5	36.3	44.2			
Hana Financial Group	KR	Financials	9,880	5.9	29.7	26.6	62.8	13.6	-11.7			
Bottom seven performers												
Supermax Corp	MY	Healthcare	5,369	-8.7	-23.2	-9.1	326.0	1,038	1,724			
Top Glove	MY	Healthcare	14,335	-7.3	-21.6	-6.8	123.3	395.1	584.5			
Hartalega	MY	Healthcare	12,073	-5.5	-20.5	-7.7	68.7	177.0	244.7			
LG Chem	KR	Materials	45,417	-3.4	9.4	3.3	116.8	125.7	72.3			
DiGi Com	MY	Commun. services	7,593	-3.4	1.8	-0.7	-1.4	-8.0	-1.7			
Tata Motors	IN	Consumer disc.	6,479	-3.1	12.7	18.0	75.6	-16.5	-69.0			
Gulf Energy	TH	Utilities	13,483	-3.0	18.4	10.1	-1.9	5.3	NA			

One-Asia Morning Focus

MSCI valuations (DM, EM, Asia ex-JP)



MSCI 12M forward P/E (x)



Currencies

(vs. USD)	Value	Change(%)		
		1D	3M	YTD
KRW	1,109.3	-0.57	-6.36	-4.08
CNY	6.6	-0.57	-5.37	-5.58
JPY	104.6	-0.04	-1.75	-3.75
IDR	14,110.0	-0.42	-4.69	1.64
HKD	7.8	0.00	0.04	-0.49
TWD	28.5	-0.04	-3.07	-4.93
SGD	1.3	-0.19	-1.80	0.10
THB	30.2	0.20	-2.86	0.96
INR	74.6	0.00	-0.38	4.54
PHP	48.2	0.01	-1.12	-4.79
MYR	4.1	-0.18	-1.82	0.64
VND	23,175.5	0.00	0.00	0.01

Commodities

	Latest close	Change(%)		
		1D	3M	YTD
Crude oil (US\$/bbl)	42.8	-1.7	1.0	-36.9
Thermal coal (US\$/tonne)	58.4	0.0	11.9	-12.8
Iron ore (US\$/tonne)	120.8	-0.2	15.5	32.0
Copper (US\$/tonne)	6,926.0	0.3	9.3	12.5
Nickel (US\$/tonne)	15,815.0	-0.4	17.8	13.0
Tin (US\$/tonne)	18,415.0	0.5	5.5	9.3
Gold (US\$/ozt)	1,885.7	0.7	4.8	24.1
Palm oil (INR/tonne)	986.7	1.5	29.1	13.4
Soybean oil (c/lb)	38.1	0.2	39.1	11.1
Corn (US\$/bu)	4.2	0.5	18.6	4.1
Wheat (US\$/bu)	5.9	0.9	12.8	6.2

Source: FactSet, Mirae Asset Daewoo Research (updated on 11/16/20 at 23:00 KST)

JYP Entertainment

(035900 KQ)

Attention turning to new group debut and potential return of concerts

Mirae Asset Daewoo Co., Ltd.

Jeong-yeob Park jay.park@miraeasset.com

Buy
(Upgrade)

TP: W47,000 ▲
Upside: 23.4%

3Q20 review: Much better than expected

Consolidated revenue of W34.6bn (-24.1% YoY) and OP of W11.1bn (-24.6% YoY)

- Top line contracted due to the absence of concerts, but album/digital content revenue was robust, providing a strong cushion.
- As a result of changes in the revenue mix, royalty fees and production costs fell 57% and 18% YoY, respectively, leading to gross margin improvements (+1.1%p YoY to 52.3%).
- 1) Album/digital music (+10% YoY): A total of 820,000 copies were sold, including 370,000 copies for Stray Kids, 250,000 copies for ITZY, and 90,000 copies for DAY6.
- 2) Management (-71% YoY): Concerts (-100% YoY), advertising (-33% YoY), and appearances (-23% YoY) were all hit hard by the pandemic.
- 3) Merchandise/other (-4% YoY): YouTube revenue (W4bn; +233% YoY) and merchandise revenue (W3.8bn; +12% YoY) were boosted by growing fan bases.
- Faced with an unfavorable environment, the company managed to reorient its income source from management to content, improving its underlying profitability.

2021 earnings expectations are key

Upbeat on global projects and earnings for the remainder of the year

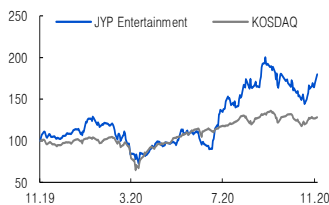
- Yesterday, it was confirmed that NiziU will be featured on Japanese broadcaster NHK's *Kohaku Uta Gassen*. This is unusual, as the group has yet to make its official debut (planned for Dec. 2).
- The group's pre-debut single "Make You Happy" (released in June) has been a huge hit, with its music video garnering 160mn views.
- A number of indicators in Japan (digital music, buzzwords among teens, etc.) suggest the girl group is on track to outdo TWICE.
- Various global projects are being planned, including Project C (China; 2H21) and US auditions.
- Looking to 4Q20, we expect strong earnings driven by robust artist activities (including regular album releases by TWICE and GOT7) and the debut of NiziU (album and merchandise).

Valuation and recommendation

Upgrade to Buy and raise TP by 15% to W47,000

- Earnings variables are stabilizing, with worries over the concert suspension easing thanks to robust content revenue. Reflecting a higher album/digital music revenue assumption and margin improvements, we raise our target price on JYP Entertainment to W47,000, which is based on a P/E of 30x our 2021 net profit attributable to owners of the parent of W54.5bn.
- We think the company is better positioned now than it has ever been, in light of its combination of cash cows (TWICE/GOT7), growth (Stray Kids/ITZY), and global exposure (NiziU).
- We recommend a Buy call on the stock, given: 1) our 2021 operating profit growth forecast of 57%; 2) additional upside potential from NiziU; and 3) improvements in the revenue mix.

Key data



Current price (11/16/20, W)	38,100	Market cap (Wbn)	1,352
OP (20F, Wbn)	45	Shares outstanding (mn)	35
Consensus OP (20F, Wbn)	42	Free float (%)	74.9
EPS growth (20F, %)	4.6	Foreign ownership (%)	17.1
P/E (20F, x)	41.3	Beta (12M)	0.83
Market P/E (20F, x)	17.1	52-week low (W)	15,350
KOSDAQ	847.33	52-week high (W)	42,450

Share performance

(%)	1M	6M	12M
Absolute	10.3	78.9	67.8
Relative	8.5	46.1	32.4

Earnings and valuation metrics

(Dec.)	2016	2017	2018	2019	2020F	2021F
Revenue (Wbn)	74	102	125	155	142	194
OP (Wbn)	14	19	29	43	45	71
OP margin (%)	18.9	18.6	23.2	27.7	31.7	36.6
NP (Wbn)	8	16	24	31	33	55
EPS (W)	246	471	685	883	923	1,535
ROE (%)	13.4	21.4	22.5	21.9	19.0	25.8
P/E (x)	20.0	29.2	44.2	27.4	41.3	24.8
P/B (x)	2.1	4.8	7.7	5.0	6.8	5.4
Div. yield (%)	0.0	0.0	0.4	0.6	0.4	0.4

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Daewoo Research estimates

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NCsoft

(036570 KS)

New titles, new platforms, and new markets in 2021

Buy
(Maintain)

TP: W1,260,000
Upside: 57.5%

Mirae Asset Daewoo Co., Ltd.

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3Q20 earnings beat on *Lineage M* surprise

Combined daily revenue of *Lineage M* and *Lineage 2M* rises from W4bn in 2Q20 to W4.3bn in 3Q20

- NCsoft's 3Q20 results confirmed the long life cycles of its mobile MMORPGs.
- The company reported 3Q20 revenue of W585.1bn (+47% YoY) and operating profit of W217.6bn (+69% YoY), beating consensus estimates (W559bn and W203.3bn, respectively).
- *Lineage Ms* daily average revenue jumped 53% QoQ to W2.7bn (vs. W1.7bn in 2Q20), as daily revenue surged following the July update marking the game's third anniversary.
- *Lineage 2Ms* daily revenue slipped to W1.6bn in 3Q20 (vs. W3.8bn in 1Q20 and W2.2bn in 2Q20).
- *Lineage 2M* is also set to unveil a massive update to mark its first anniversary in November.

Blade & Soul 2 and *Lineage 2M* (Taiwan) to be released in 1Q21

Three large-scale titles scheduled for 2021; additional new titles to be unveiled

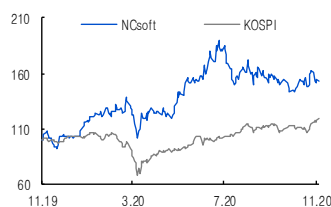
- NCsoft revealed that *Blade & Soul 2* (Korea) and *Lineage 2M* (Taiwan) will be launched in 1Q21.
- The company conducted large-scale internal tests for its PC/console title *Project TL (The Lineage)* in August and September and plans to release the PC version in Korea next year.
- *Aion 2*, another mobile MMORPG, is targeted for release in 2H21.
- The company also discussed a number of new title projects aimed at the global and multiplatform markets in 2021.

A potential market leader in 2021

Reiterate Buy and TP of W1,260,000

- Following the latest earnings release, we reduced our 2020 operating profit forecast by 0.3% and upped our 2021 operating profit forecast by 0.2%.
- We expect the cloud gaming market to gather steam in 2021, spurred by 5G and technological advances.
- NCsoft has delivered a string of hit titles and is planning to release three large-scale games in 2021 alone.
- The company has demonstrated a strong commitment to expanding its global footprint and taking on the multiplatform space in 2021.

Key data



Current price (11/16/20, W)	800,000	Market cap (Wbn)	17,563
OP (20F, Wbn)	862	Shares outstanding (mn)	22
Consensus OP (20F, Wbn)	861	Free float (%)	81.9
EPS growth (20F, %)	82.9	Foreign ownership (%)	48.2
P/E (20F, x)	26.8	Beta (12M)	0.59
Market P/E (20F, x)	17.1	52-week low (W)	485,000
KOSPI	2,543.03	52-week high (W)	995,000

Share performance

(%)	1M	6M	12M
Absolute	4.3	7.4	45.7
Relative	-4.0	-18.6	23.9

Earnings and valuation metrics

(Dec.)	2017	2018	2019	2020F	2021F	2022F
Revenue (Wbn)	1,759	1,715	1,701	2,396	3,102	3,534
OP (Wbn)	585	615	479	862	1,311	1,602
OP margin (%)	33.3	35.9	28.2	36.0	42.3	45.3
NP (Wbn)	441	418	358	655	1,004	1,209
EPS (W)	20,104	19,061	16,320	29,853	45,743	55,074
ROE (%)	19.1	16.4	14.7	23.6	28.8	27.2
P/E (x)	22.3	24.5	33.1	26.8	17.5	14.5
P/B (x)	3.4	3.7	4.1	5.1	4.0	3.2
Div. yield (%)	1.6	1.3	1.0	0.8	0.9	1.0

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Daewoo Research estimates

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Vatech

(043150 KQ)

Riding out the storm while strengthening competitiveness

Buy
(Maintain)

TP: W33,000
Upside: 44.7%

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3Q20 review

Revenue comes in above consensus

- For 3Q20, Vatech reported a 2% YoY decline in revenue and a 7% YoY drop in operating profit (OP margin of 15.1%).
- Revenue was flat YoY in Korea, up 6% YoY in Asia, up 4% YoY in North America, down 7% YoY in Europe, and down 24% YoY in other markets.
- Parent-level revenue: -36% YoY for 2D, -5% YoY for 3D, and -30% YoY for other

Investment points

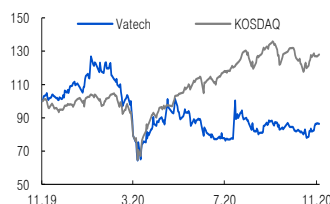
- 1) Improving price competitiveness in emerging markets: Vatech is expanding its presence in China.
- 2) Strengthening branding in developed markets: The company is differentiating itself through its low-radiation product lineup.
- 3) Business diversification into digital dentistry: The company has launched 3D intraoral scanners and entered the zirconia business.

Valuation and recommendation

Maintain Buy and TP of W33,000

- Due to the pandemic, we believe Vatech's earnings will inevitably contract in 2020.
- The company has been struggling to improve its earnings relative to other dentistry firms, given its high revenue exposure (over 45%) to Europe and the US.
- That said, exports are showing encouraging signs of a recovery after bottoming in 2Q20.
- In September, the company gained US clearance for its endodontics diagnostic product, thus improving its competitive position in developed markets.
- In November, the company obtained approval for manufacturing in China, thus strengthening its competitiveness in emerging markets.
- Vatech's stock is currently trading at a 12-month forward P/E of 8.7x, a steep discount to peers (average of 17.3x).

Key data



Current price (11/16/20, W)	22,800	Market cap (Wbn)	339
OP (20F, Wbn)	29	Shares outstanding (mn)	15
Consensus OP (20F, Wbn)	25	Free float (%)	46.4
EPS growth (20F, %)	-35.0	Foreign ownership (%)	19.4
P/E (20F, x)	15.4	Beta (12M)	0.83
Market P/E (20F, x)	17.1	52-week low (W)	17,000
KOSDAQ	847.33	52-week high (W)	33,500

Share performance

(%)	1M	6M	12M
Absolute	5.6	-3.0	-16.0
Relative	3.9	-20.8	-33.7

Earnings and valuation metrics

(Dec.)	2017	2018	2019	2020F	2021F	2022F
Revenue (Wbn)	219	234	272	234	295	328
OP (Wbn)	39	39	43	29	48	56
OP margin (%)	17.8	16.7	15.8	12.4	16.3	17.1
NP (Wbn)	79	27	34	22	42	44
EPS (W)	5,324	1,835	2,281	1,483	2,814	2,987
ROE (%)	46.1	13.1	14.5	8.5	14.4	13.3
P/E (x)	6.4	11.8	12.8	15.4	8.1	7.6
P/B (x)	2.6	1.5	1.7	1.3	1.1	1.0
Div. yield (%)	0.3	0.5	0.3	0.4	0.4	0.4

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Daewoo Research estimates

Rayence

(228850 KQ)

Another disappointing quarter

Buy
(Maintain)

TP: W17,000
Upside: 51.8%

Mirae Asset Daewoo Co., Ltd.

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3Q20 review

Revenue falls short of consensus

- For 3Q20, Rayence reported a 28% YoY decline in revenue and a 95% YoY drop in operating profit (OP margin of 1.2%).
- Revenue by segment: -31% YoY for medical, -31% YoY for dental, -55% YoY for industrial, and +20% YoY for veterinary
- Revenue by product: -35% YoY for TFT, -19% YoY for CMOS, and -28% YoY for other
- Revenue by region: -43% YoY in North America, -23% YoY in Asia, -24% YoY in Europe, and -65% YoY elsewhere

Investment points

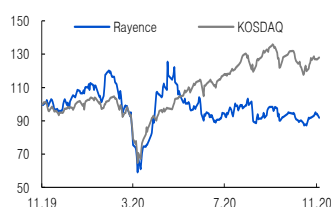
- 1) Dental: In the dental detector segment, Rayence has been diversifying its customer base. The company is penetrating the intraoral sensor market and has entered the zirconia market.
- 2) Industrial: Rayence is diversifying its product (tires, batteries, PCB, semiconductor, rechargeable batteries, etc.) and customer portfolios.
- 3) Veterinary: Rayence acquired a veterinary electronic medical record supplier and a drug distributor to expand its veterinary business beyond diagnostic equipment (X-rays, CTs, oral sensors, etc.).
- 4) Medical: Rayence has entered the Latin American market via its subsidiary Osko. The firm has secured B2B contracts with GE Healthcare and is preparing to enter the C-arm and radiation treatment equipment markets.

Valuation and recommendation

Maintain Buy and TP of W17,000

- Rayence has diversified its business portfolio using its robust CMOS and TFT technologies.
- That said, COVID-19 is taking a toll on earnings, especially in the dental business.
- While earnings at affiliate Vatech materially improved QoQ, the company mainly used its existing inventory. As such, the impact on Rayence's earnings was limited.
- We expect earnings to improve from 4Q20, led by the core dental segment.
- Rayence's stock is currently trading at a 12-month forward P/E of 9.0x, a steep discount to global peers (21.6x).

Key data



Current price (11/16/20, W)	11,200	Market cap (Wbn)	186
OP (20F, Wbn)	11	Shares outstanding (mn)	17
Consensus OP (20F, Wbn)	13	Free float (%)	30.0
EPS growth (20F, %)	-36.0	Foreign ownership (%)	3.3
P/E (20F, x)	19.8	Beta (12M)	1.06
Market P/E (20F, x)	17.1	52-week low (W)	7,210
KOSDAQ	847.33	52-week high (W)	15,300

Share performance

(%)	1M	6M	12M
Absolute	0.9	-12.5	-8.2
Relative	-0.7	-28.5	-27.6

Earnings and valuation metrics

(Dec.)	2017	2018	2019	2020F	2021F	2022F
Revenue (Wbn)	107	116	126	103	143	157
OP (Wbn)	17	21	23	11	27	30
OP margin (%)	15.9	18.1	18.3	10.7	18.9	19.1
NP (Wbn)	15	16	15	9	22	25
EPS (W)	881	948	885	567	1,332	1,488
ROE (%)	8.5	8.8	7.8	4.8	10.5	10.8
P/E (x)	21.0	17.2	15.0	19.8	8.4	7.5
P/B (x)	1.7	1.4	1.0	0.9	0.8	0.7
Div. yield (%)	0.5	0.6	2.3	2.7	2.7	2.7

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Daewoo Research estimates