

Mirae Asset Securities Co., Ltd.
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145720 KS · Medtech

Dentium

Implant price decline in China finally coming to an end

(Maintain)

Buy

Target price
₩183,000 ▲

Upside
45.2%

Current price (2/28/24)
₩126,000

KOSPI	2,652.29	Market cap (Wbn)	1,395	Shares outstanding (mn)	11	Foreign ownership (%)	17.5
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Report summary

4Q23 review: Record quarterly results, with both revenue and OP beating consensus

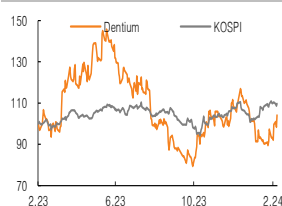
For 4Q23, Dentium reported above-consensus revenue and operating profit. Revenue climbed 33% YoY, driven by sharp growth in exports to Russia, and operating profit jumped 32% YoY on leverage effects resulting from top-line growth.

Trading at a 12-month forward P/E of 12x, a discount to global peers (18x) and the five-year average (16x)

Although dental implant sales prices in China are estimated to have fallen more than 20% since the volume-based procurement (VBP) program was implemented, we believe prices have begun to stabilize this year. Furthermore, we believe volume growth will continue to outweigh lower pricing, as the VBP program should help expand China's dental implant market over the long term. We are also encouraged by solid domestic market conditions and stabilizing exports to Russia. For 2024, we expect Dentium to post revenue of ₩458.7bn (+17% YoY) and operating profit of ₩152bn (+15% YoY; OP margin of 33.1%), with additional upside possible if digital dentistry demand recovers and China implements further stimulus measures. Based on shares outstanding, the stock is trading at a 12-month forward P/E of below 10x.

Key data

Price performance



(%)	1M	6M	12M
Absolute	14.0	4.1	4.1
Relative	6.6	-0.1	-5.3

Earnings and valuation metrics

(Dec.)	2021	2022	2023P	2024F	2025F
Revenue (Wbn)	292	356	394	459	535
OP (Wbn)	70	126	132	152	179
OP margin (%)	24.0	35.4	33.5	33.1	33.5
NP (Wbn)	55	86	90	108	130
EPS (W)	5,013	7,776	8,090	9,793	11,715
ROE (%)	21.3	25.9	21.4	21.1	20.6
P/E (x)	13.9	12.9	16.2	12.9	10.8
P/B (x)	2.5	2.8	3.0	2.4	2.0
Dividend yield (%)	0.4	0.3	0.3	0.3	0.3

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

4Q23 review

Record quarterly results, with both revenue and OP beating consensus

For 4Q23, Dentium reported above-consensus revenue of W124.8bn (+33% YoY), mainly driven by sharp growth in exports to Russia. Russia revenue came in at W23.1bn, far exceeding our estimate (W15-16bn), aided by the easing of logistics issues. In addition, the firm saw revenue growth of over 30% YoY in both China and Korea.

By region, revenue was W24.2bn (+40% YoY) in Korea, W57.4bn (+37% YoY) in China, W28.3bn (+26% YoY) in Europe (+86% YoY in Russia and -48% YoY in other countries), W12.8bn (+26% YoY) in Asia (+17% YoY in Vietnam and +29% YoY in other countries), and W2.1bn (+1% YoY) in other markets.

By product, revenue was W114.8bn (+42% YoY) for dental implants, W2.8bn (-21% YoY) for cone-beam computerized tomography (CBCT) solutions, W6bn (+2% YoY) for merchandise, and W900mn (-49% YoY) for other products.

Operating profit increased 32% YoY to W47.9bn, beating the consensus estimate. OP margin increased 6.3%p QoQ to 38.4% thanks to strong operating leverage effects. However, factoring in a one-off reversal of provisions (W6.2bn) and inventory-related provisioning (W4bn), adjusted OP margin was 36.6%.

Labor expenses increased 25% YoY to W13.8bn, and ad spend rose 5% YoY to W8.6bn. The company also booked R&D expenses of W2.5bn (+35% YoY) and commissions/fees of W4.5bn (+44% YoY).

Meanwhile, the company recorded below-consensus net profit of W27bn (+178% YoY) due to a tax penalty of W5.5bn. (An audit revealed that the company had underpaid overseas corporate taxes via transfer pricing from 2018 to 2022.)

Table 1. 4Q23 review

(Wbn, %, %p)

	4Q22	3Q23	4Q23P			Growth	
			Preliminary	Mirae Asset Securities	Consensus	YoY	QoQ
Revenue	94.0	93.8	124.8	116.3	113.8	32.8	33.1
OP	36.4	30.1	47.9	39.9	38.2	31.6	59.3
OP margin (%)	38.7	32.1	38.4	34.3	33.6	-0.3	6.3
NP	9.7	24.1	27.0	32.2	28.8	178.2	12.3

Note: Under consolidated K-IFRS

Source: Mirae Asset Securities Research

Table 2. Earnings forecast revisions

(Wbn, %)

	Previous		Revised		% chg.		Notes
	23F	24F	23P	24F	23P	24F	
Revenue	385.3	478.7	393.8	458.7	2.2	-4.2	Reflected 4Q23 results
OP	123.9	157.5	131.9	152.0	6.5	-3.5	
Pretax profit	118.6	149.8	123.8	144.7	4.4	-3.4	
NP	94.7	119.7	89.6	108.4	-5.4	-9.5	
EPS (W)	8,554	10,817	8,090	9,793	-5.4	-9.5	

Note: Under consolidated K-IFRS

Source: Mirae Asset Securities Research

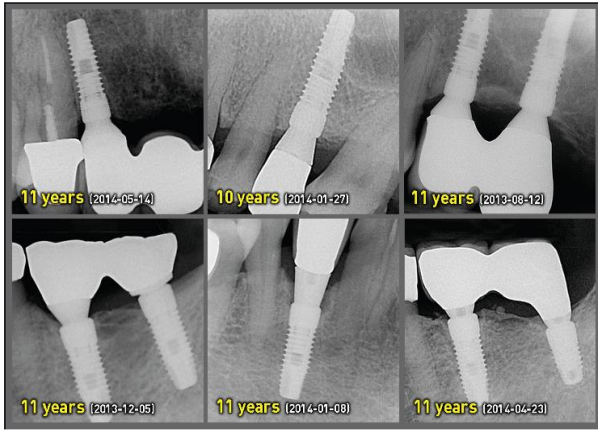
Table 3. Quarterly and annual earnings

(Wbn, %)

	1Q23	2Q23	3Q23	4Q23P	1Q24F	2Q24F	3Q24F	4Q24F	2023P	2024F	2025F
Revenue	68.8	106.4	93.8	124.8	88.2	117.4	115.0	138.1	393.8	458.7	534.8
Domestic	19.4	20.2	20.2	24.2	21.3	23.3	23.2	27.8	84.1	95.7	107.1
China	33.1	57.2	54.2	57.4	45.9	62.9	61.0	70.0	201.9	239.9	283.0
Europe	5.2	15.3	4.2	28.3	8.5	17.0	16.1	19.0	53.0	60.6	69.7
Asia	8.9	9.5	11.2	12.8	9.7	11.2	11.4	18.0	42.3	50.4	60.5
Other	2.3	4.1	4.0	2.1	2.7	3.0	3.1	3.3	12.5	12.1	14.6
OP	21.5	32.4	30.1	47.9	27.4	38.0	39.0	47.7	131.9	152.0	179.3
NP	18.3	20.1	24.1	27.0	19.1	27.1	27.8	34.4	89.6	108.4	129.7
Revenue growth (%)	-7.7	10.1	3.4	32.8	28.2	10.3	22.6	10.7	10.7	16.5	16.6
Domestic	10.8	13.0	14.0	39.6	10.0	15.0	15.0	15.0	19.3	13.8	11.9
China	-18.9	11.9	11.9	36.7	38.8	9.9	12.6	21.9	10.7	18.8	18.0
Europe	-23.4	-4.5	-61.0	26.4	62.8	11.2	284.5	-32.9	-5.3	14.4	15.0
Asia	25.5	-7.8	-4.2	25.5	18.0	18.0	18.0	18.0	7.9	19.1	20.0
Other	-4.8	219.0	95.5	0.6	20.0	-27.7	-20.8	53.7	59.6	-2.9	20.0
OP margin (%)	31.3	30.4	32.1	38.4	31.0	32.4	33.9	34.5	33.5	33.1	33.5
Net margin (%)	26.6	19.0	25.7	21.7	21.7	23.1	24.2	24.9	22.7	23.6	24.2

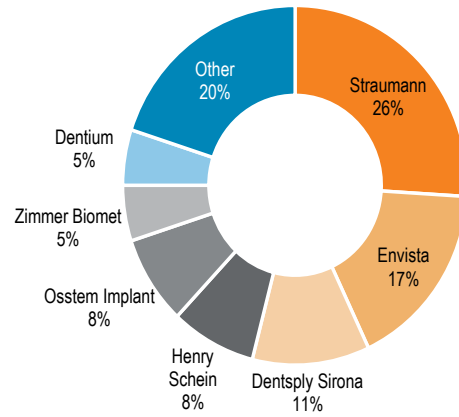
Source: Company data, Mirae Asset Securities Research estimates

Figure 1. Dentium's long-term clinical data (published in IJPRD)



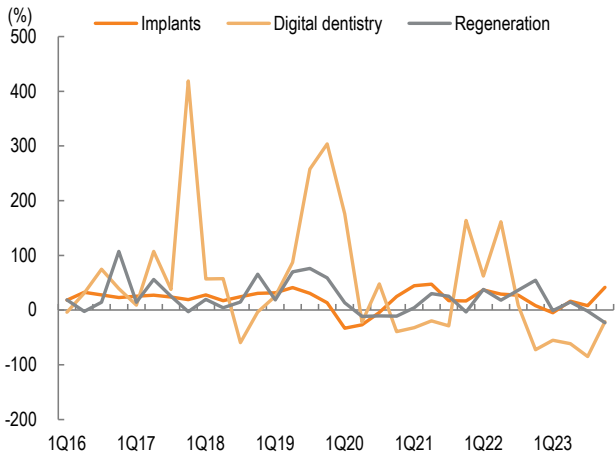
Note: 242 cases (74 people) with 97.9% survival rate
 Source: Company data, Mirae Asset Securities Research

Figure 2. Global dental implant market breakdown



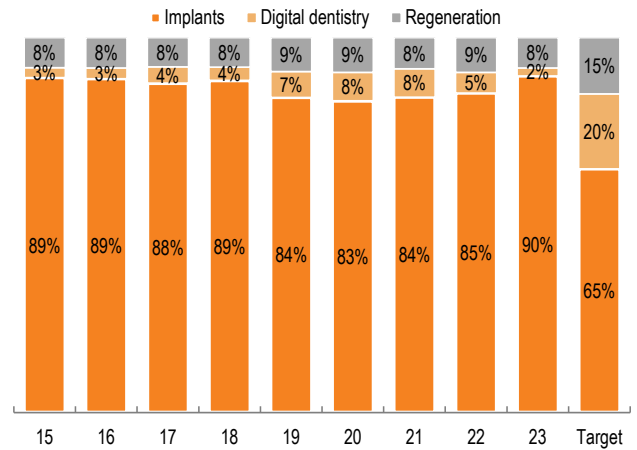
Source: Straumann, Mirae Asset Securities Research

Figure 3. Revenue breakdown by category



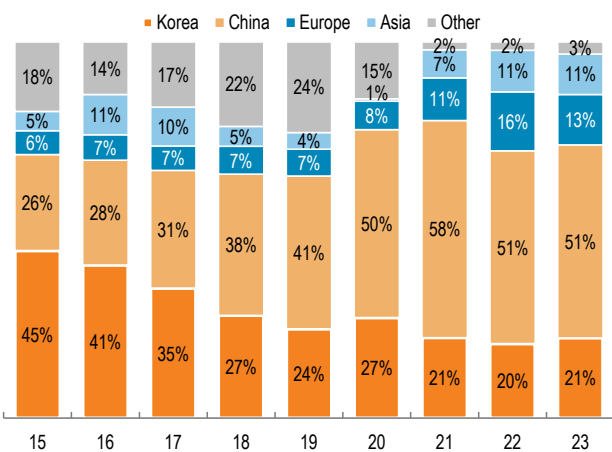
Source: Company data, Mirae Asset Securities Research

Figure 4. Revenue growth by category



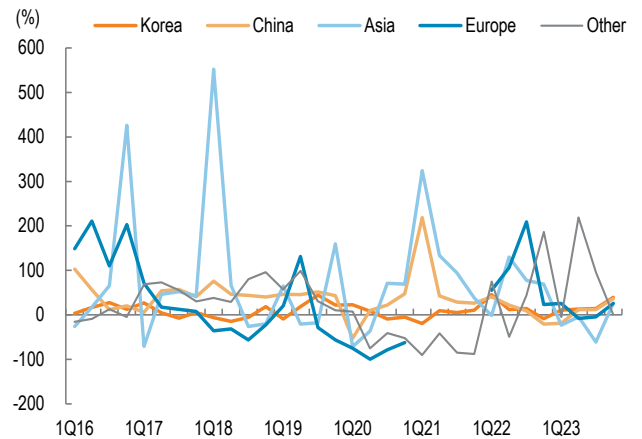
Source: Company data, Mirae Asset Securities Research

Figure 5. Revenue breakdown by region



Source: Company data, Mirae Asset Securities Research

Figure 6. Revenue growth by region



Source: Company data, Mirae Asset Securities Research

Valuation and recommendation

Raise TP to W183,000 and maintain Buy

We lift our target price on Dentium to W183,000 (from W170,000), reflecting an increase in the global peer average multiple (17x → 18x). With our target price implying 45% upside, we maintain our Buy recommendation.

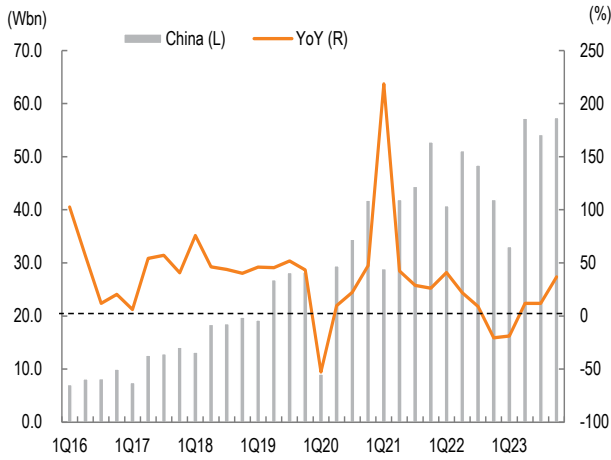
In the Chinese market (which accounts for over half of revenue), dental implant prices appear to be stabilizing after falling more than 20% since the implementation of the VBP program. Korea Customs Service data show that export prices (price/export volume) are stabilizing at US\$770-780/kg. Going forward, we believe volume growth will continue to outweigh lower pricing, as the VBP program should help expand China's dental implant market over the long term.

That said, we think it will take some time for the digital dentistry business to recover, as high interest rates continue to weigh on new demand. Looking at the performance of global competitors in China, we note that Straumann (which is focused on dental implants) saw revenue from the country increase 6% YoY in 2023, while Envista (which is more focused on equipment) saw negative growth for the second straight year. All in all, we expect Dentium's China revenue to jump 19% YoY to W239.9bn in 2024.

We are also encouraged by solid domestic market conditions and stabilizing exports to Russia. For 2024, we expect Dentium to post revenue of W458.7bn (+17% YoY) and operating profit of W152bn (+15% YoY; OP margin of 33.1%), with additional upside possible if digital dentistry demand recovers and China implements further stimulus measures.

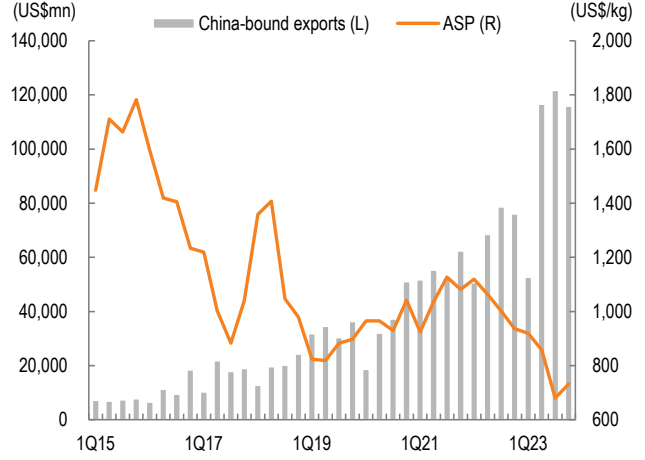
The stock is trading at a 12-month forward P/E of 12x, a discount to global peers (18x) and its five-year average (16x). Excluding treasury stock (which accounts for 22% of total shares), Dentium is trading at a 12-month forward P/E of below 10x.

Figure 7. Implant exports to China



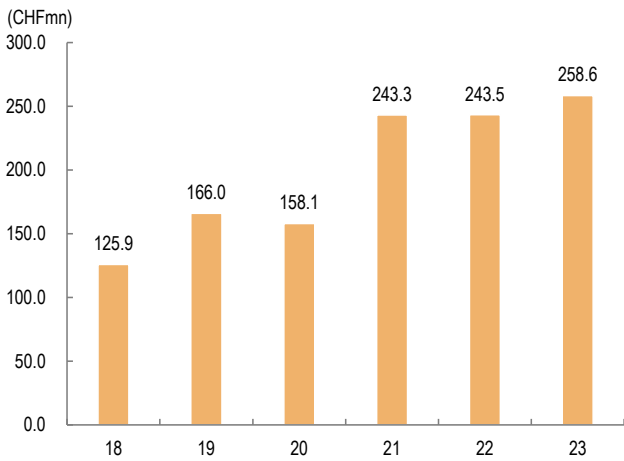
Source: Korea Customs Service, Mirae Asset Securities Research

Figure 8. Implant exports to China vs. ASP



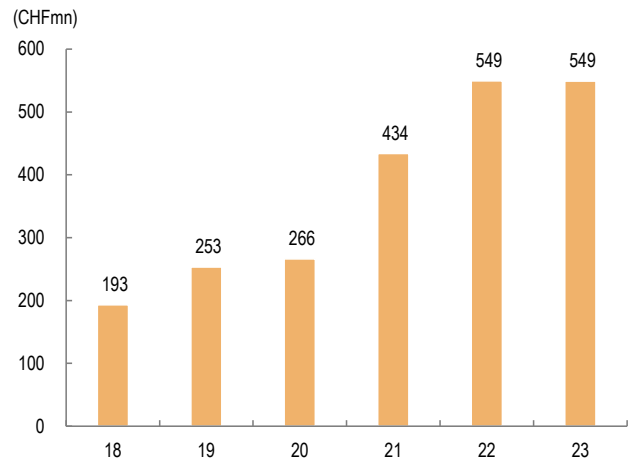
Source: Korea Customs Service, Mirae Asset Securities Research

Figure 9. Straumann's China revenue



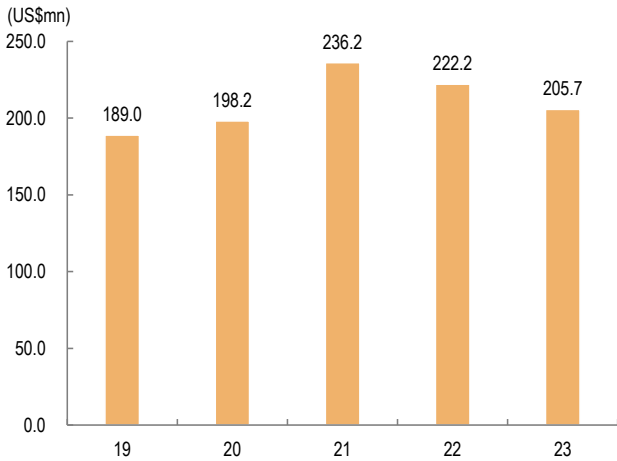
Source: Straumann, Mirae Asset Securities Research

Figure 10. Straumann's equipment/other business revenue



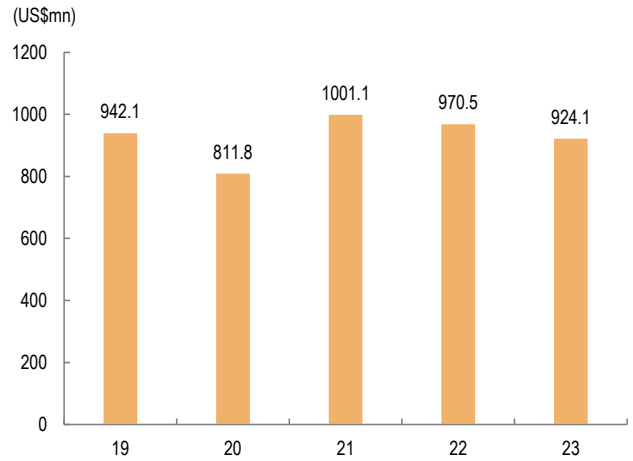
Source: Straumann, Mirae Asset Securities Research

Figure 11. Envista's China revenue



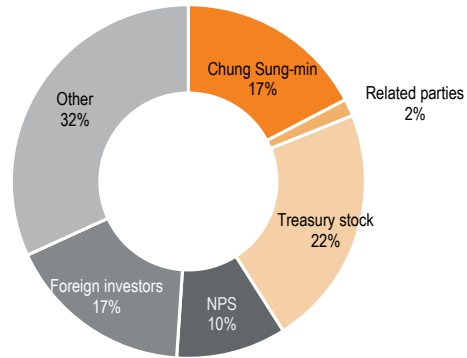
Source: Envista, Mirae Asset Securities Research

Figure 12. Envista's equipment/consumable business revenue



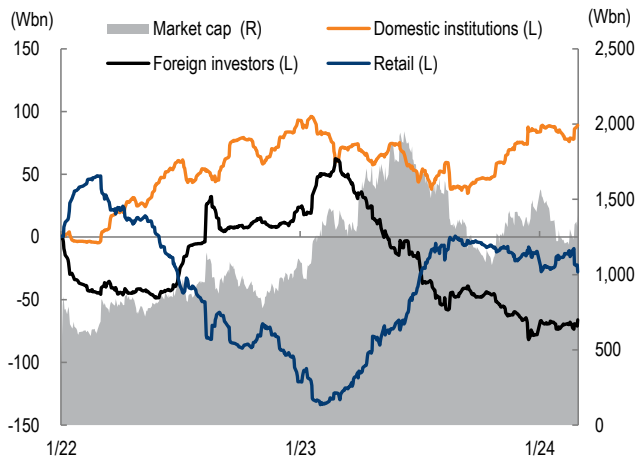
Source: Envista, Mirae Asset Securities Research

Figure 13. Ownership breakdown



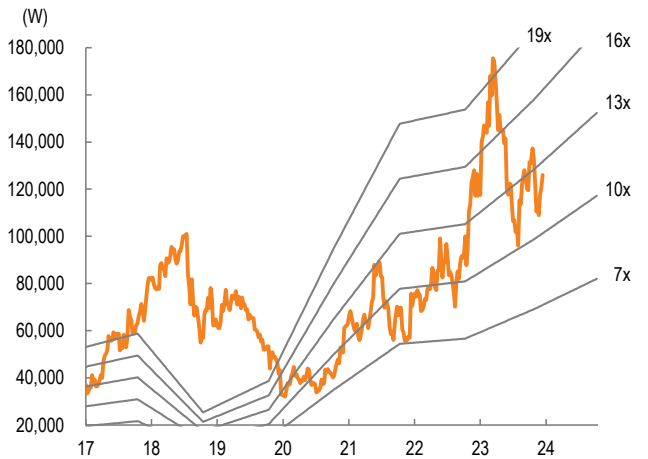
Source: Bloomberg, Mirae Asset Securities Research

Figure 14. Net buying by investor type vs. market cap



Source: QuantiWise, Mirae Asset Securities Research

Figure 15. 12-month forward P/E band chart



Source: QuantiWise, Mirae Asset Securities Research

Table 4. Global peer valuation

Company	Market cap (Wbn)	OP margin (%)			P/E (x)			P/B (x)			ROE (%)			Revenue (Wbn)		
		22	23F	24F	22	23F	24F	22	23F	24F	22	23F	24F	22	23F	24F
Straumann	33,209	23.1	24.5	25	57.9	46.4	40.4	9.2	9	8.3	20.6	22.3	22.6	3,139	3,730	4,048
Align Technology	28,093	17.2	16.7	20	36.8	45.8	29.9	3.9	5.5	5.2	9.7	12.3	17.1	4,826	5,047	5,420
Henry Schein	13,020	5.9	6.7	7.3	16.1	16.5	14.5	0.8	0.8	0.8	12.3	14.7	14.9	16,344	16,441	17,260
Dentsply Sirona	9,398	-23.9	14.3	15.4	30.6	18.3	16.2	1.8	1.8	1.8	-6.1	11	11.4	5,069	5,215	5,312
Envista	5,418	12.4	16.8	17	19.3	15	14.5	1.5	1.6	1.6	4.6	5.9	5.9	3,320	3,424	3,482
Hefei Meiya	2,766	34.8	35.9	35.8	20.2	18.9	16.7	6.6	6.3	5.4	29.2	29	30.8	406	438	505
Angelalign	1,489	16.1	-1.5	7.3	37.2	102.9	41.3	6.3	5.7	4.8	6.2	2	5.5	244	261	312
Dentium	1,225	35.3	33.5	33.4	13.2	16.2	9.2	2.6	3.0	2.7	17.8	21.4	22.9	356	394	458
ZimVie	628	-10.4	6.9	7.3	-	-	-	0.5	0.5	0.6	-12.3	3.8	7.7	1,181	1,138	1,122
Vatech	449	20.2	16.9	19.1	7.1	8.4	6.4	1.2	1.2	1.1	20.5	17.8	15.7	395	387	417
DIO Implant	317	-3.4	22.2	23.7	-	11.4	9.2	2	1.8	1.6	-4.4	12.4	13.5	131	178	200
Ray	289	12.6	8.8	15.5	40.7	28.7	12.8	2	1.9	1.5	6.1	7.5	15.2	129	151	191
		11.7	16.8	18.9	27.9	29.9	19.2	3.2	3.3	3.0	8.7	13.3	15.3	2,962	3,067	3,227

Source: Bloomberg, Mirae Asset Securities Research

Dentium (145720 KS)

Income statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Revenue	356	394	459	535
Cost of revenue	95	120	141	163
GP	261	274	318	372
SG&A expenses	135	142	165	192
OP (adj.)	126	132	152	179
OP	126	132	152	179
Non-operating profit	-8	-8	-7	-6
Net financial income	-6	-8	-7	-6
Net income from associates	0	0	0	0
Pretax profit	118	124	145	173
Income tax	32	34	36	43
Profit from continuing operations	86	90	109	130
Profit from discontinued operations	0	0	0	0
NP	86	90	109	130
Attributable to owners	86	90	108	130
Attributable to minority interests	0	0	0	0
Total comprehensive income	84	90	109	130
Attributable to owners	84	90	109	130
Attributable to minority interests	0	0	0	0
EBITDA	145	153	173	200
FCF	-6	49	54	96
EBITDA margin (%)	40.7	38.8	37.7	37.4
OP margin (%)	35.4	33.5	33.1	33.5
Net margin (%)	24.2	22.8	23.5	24.3

Balance sheet (summarized)

(Wbn)	2022	2023F	2024F	2025F
Current assets	304	401	523	673
Cash & equivalents	72	119	169	261
AR & other receivables	112	137	168	196
Inventory	101	121	158	184
Other current assets	19	24	28	32
Non-current assets	371	395	394	394
Investments in associates	0	0	0	0
PP&E	308	327	327	326
Intangible assets	3	3	3	2
Total assets	675	796	917	1,066
Current liabilities	229	279	293	317
AP & other payables	17	24	28	32
Short-term financial liabilities	138	156	156	157
Other current liabilities	74	99	109	128
Non-current liabilities	72	57	57	58
Long-term financial liabilities	70	54	54	54
Other non-current liabilities	2	3	3	4
Total liabilities	301	335	350	374
Equity attributable to owners	374	462	567	692
Capital stock	6	6	6	6
Capital surplus	49	49	49	49
Retained earnings	331	417	523	649
Minority interests	-1	-1	-1	0
Shareholders' equity	373	461	566	692

Cash flow statement (summarized)

(Wbn)	2022	2023F	2024F	2025F
Operating cash flow	47	86	74	116
NP	86	90	109	130
Non-cash income/expenses	79	63	65	71
Depreciation	18	20	21	21
Amortization	1	1	1	0
Other	60	42	43	50
Chg. in working capital	-81	-17	-56	-35
Chg. in AR & other receivables	-47	-23	-30	-26
Chg. in inventory	-26	-20	-37	-26
Chg. in AP & other payables	0	5	3	2
Income tax	-31	-39	-36	-43
Cash flow from investing activities	-49	-43	-21	-21
Chg. in PP&E	-53	-36	-20	-20
Chg. in intangible assets	-1	-1	0	0
Chg. in financial assets	4	-2	-1	-1
Other	1	-4	0	0
Cash flow from financing activities	9	2	-3	-3
Chg. in financial liabilities	15	2	0	1
Chg. in equity	0	0	0	0
Dividends	-2	-3	-3	-4
Other	-4	3	0	0
Chg. in cash	6	47	51	92
Beginning balance	66	72	119	169
Ending balance	72	119	169	261

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

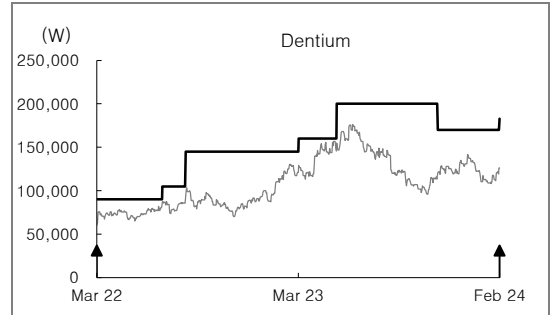
	2022	2023F	2024F	2025F
P/E (x)	12.9	16.2	12.9	10.8
P/CF (x)	6.7	9.5	8.0	7.0
P/B (x)	2.8	3.0	2.4	2.0
EV/EBITDA (x)	8.6	10.1	8.3	6.7
EPS (W)	7,776	8,090	9,793	11,715
CFPS (W)	14,933	13,756	15,663	18,111
BPS (W)	35,499	43,413	52,925	64,304
DPS (W)	300	360	432	432
Dividend payout ratio (%)	3.0	3.5	3.4	2.9
Dividend yield (%)	0.3	0.3	0.3	0.3
Revenue growth (%)	22.1	10.7	16.5	16.6
EBITDA growth (%)	74.1	5.6	13.5	15.6
OP growth (%)	79.9	4.9	15.3	17.9
EPS growth (%)	55.1	4.1	21.0	19.6
AR turnover (x)	3.7	3.3	3.2	3.1
Inventory turnover (x)	4.0	3.6	3.3	3.1
AP turnover (x)	9.5	9.5	8.5	8.5
ROA (%)	13.8	12.2	12.7	13.1
ROE (%)	25.9	21.4	21.1	20.6
ROIC (%)	22.3	20.1	22.0	23.9
Debt-to-equity ratio (%)	80.8	72.8	61.9	54.0
Current ratio (%)	132.5	144.1	178.2	212.5
Net debt-to-equity ratio (%)	36.1	19.3	6.8	-7.6
Interest coverage ratio (x)	18.5	13.9	16.3	19.2

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
Dentium (145720)	02/29/24	Buy	183,000
	11/09/23	Buy	170,000
	05/10/23	Buy	200,000
	03/02/23	Buy	160,000
	08/09/22	Buy	145,000
	06/28/22	Buy	105,000
	11/08/21	Buy	90,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	88.55%	6.63%	4.22%	0.6%
Investment banking services	84.62%	15.38%	0%	0%

* Based on recommendations in the last 12-months (as of December 31, 2023)

Disclosures

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