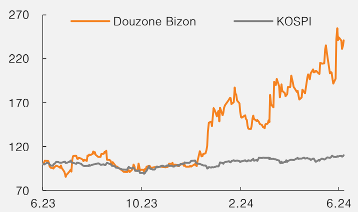
![MIRAE ASSET Securities]

Equity Research
July 5, 2024

(Initiate)	**Buy**
Target price	**W95,200**
Current price (7/4/24)	W71,800
Upside	32.6%

OP (24F, Wbn)	83
Consensus OP (24F, Wbn)	83
EPS growth (24F, %)	56.6
Market EPS growth (24F, %)	80.5
P/E (24F, x)	41.1
Market P/E (24F, x)	11.2
KOSPI	2,824.94
Market cap (Wbn)	2,181
Shares (mn)	30
Free float (%)	69.4
Foreign ownership (%)	10.7
Beta (12M)	-0.59
52-week low (W)	25,500
52-week high (W)	75,900

(%)	1M	6M	12M
Absolute	18.9	146.7	132.4
Relative	12.0	126.0	113.3



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012510 KS · Software

Douzone Bizon

Growing cloud and AI adoption to drive growth

Initiate at Buy with a TP of W95,200

We initiate our coverage on Douzone Bizon with a Buy rating and target price of W95,200. In deriving our target price, we applied a P/E of 48x to our 2Q24-1Q25 EPS estimate. Our target multiple represents a 30% premium to the five-year average P/E (37x), reflecting expectations for the generative AI, credit bureau (credit information), and accounts receivable factoring businesses. The firm should see solid momentum driven by: 1) the launch of generative AI solutions; 2) accelerating growth in the mix of cloud revenue; and 3) entry into the data-driven finance space. We see further upside to our valuation, as our target price is based on conservative earnings estimates that do not fully reflect the potential value of new businesses.

Generative AI + cloud to drive up total addressable market, revenue, and profits

Growing cloud adoption should continue to serve as a key growth driver for Douzone Bizon. While the traditional on-premises model relies heavily on maintenance/repair for revenue, the cloud-based model generates recurring revenue from subscription-based services. As such, the shift to the cloud model can lead to at least a 30% increase in annual revenue and also enhance profitability. We expect the firm's revenue mix of cloud-based products to grow to over 50% by 2025 (from 41.7% as of 1Q24).

Furthermore, generative AI adoption should help bolster volume in the short term and drive profit growth over the longer term. As customers must use cloud-based products to access generative AI features, we see cloud adoption and new customer acquisition accelerating going forward. We also expect generative AI solutions to start bringing in meaningful revenue next year, which should translate to strong bottom-line growth (20% CAGR) due to the low associated costs.

2025 operating profit likely to exceed W100bn; our top pick in software

We forecast Korea's software market to expand to over W10tr in 2024 and Korean enterprises' generative AI investments to exceed W1tr in 2026. In Korea, over 7mn SMEs collectively generate annual revenue of more than W3,000tr. Korean software companies are also starting to expand globally, creating favorable conditions for both top- and bottom-line growth. In 2024, we expect Douzone Bizon to generate revenue of W393bn (+11% YoY) and operating profit of W83bn (+20% YoY). In 2025, we expect operating profit to exceed W100bn. The stock recently rallied on expectations for potential entry into the branchless banking market. However, we believe core operations and new ventures (corporate credit analysis and factoring) are sufficient to justify a re-rating. We present Douzone Bizon as our top pick in the software sector.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	304	354	393	441	500
OP (Wbn)	46	69	83	101	120
OP margin (%)	15.1	19.5	21.1	22.9	24.0
NP (Wbn)	24	35	55	62	80
EPS (W)	757	1,117	1,749	1,984	2,548
ROE (%)	5.1	8.2	11.5	11.2	13.0
P/E (x)	48.7	25.9	41.1	36.2	28.2
P/B (x)	2.3	1.7	3.7	3.4	3.1
Dividend yield (%)	0.3	0.7	0.8	0.4	0.4

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

Investment points

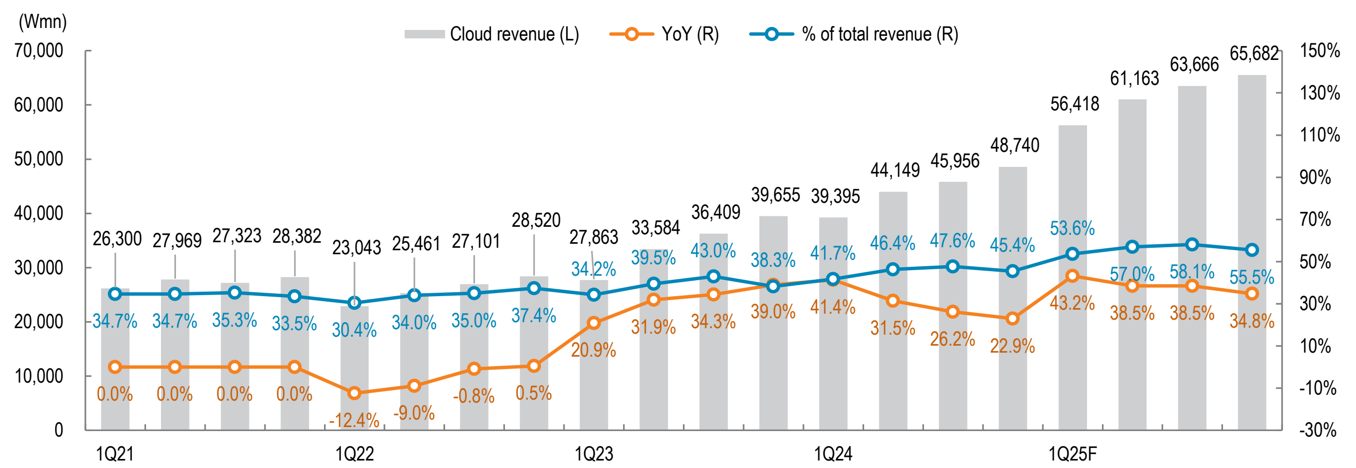
Growing share of cloud revenue: Both revenue and profits improving

The revenue mix of subscription-based cloud services is steadily increasing. Compared to traditional on-premises services, cloud services generally display higher ASP and generate recurring revenue, resulting in wider margins. Moreover, as cloud-based systems can easily integrate new modules, further ASP growth can be achieved via module upselling.

Douzone Bizon offers three enterprise resource planning (ERP) systems—Lite, Standard, and Extended—to cater to businesses of different sizes. The Lite ERP system was the first to shift to a cloud-based model (in 2020), while the Standard ERP system began its cloud transition in 2023. The firm has been actively transitioning away from the legacy model and attracting new customers since last year, backed by the development of the cloud-based Amaranth 10 platform (which added groupware features, driving up ASP). For the Extended ERP system, an AI-based platform called OmniEsol will soon be launched.

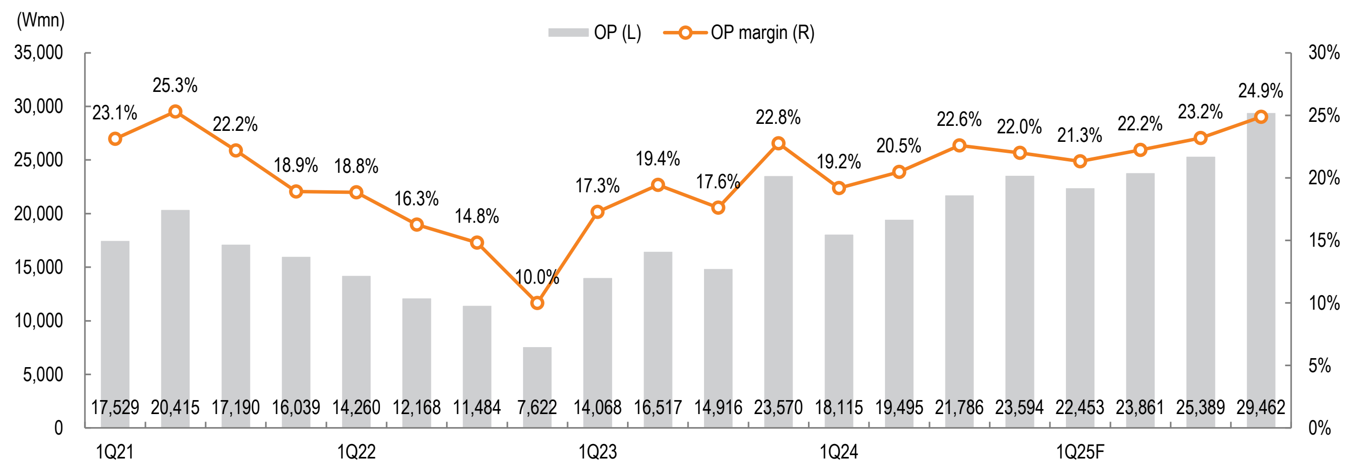
In 2025, we expect the Lite ERP segment to drive overall growth. Wehago, the cloud version of Lite ERP, was priced at W4mn upon its 2020 release, double the price of the legacy version. However, the K-Voucher government support program (launched amid the pandemic) allowed businesses to buy the software for half the price, leading to customer base expansion. After the K-Voucher program came to an end, some businesses could no longer afford the software, and the price was lowered to W2mn.

Figure 1. Cloud revenue trend and outlook



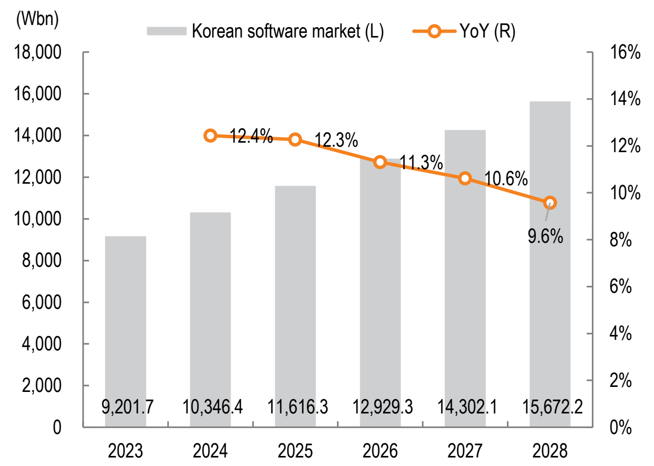
Note: Includes Smart A, Wehago, iCube, Groupware, Amaranth 10, and other services/products (electronic documents, Douzone Pay, etc.).
Source: Company data, Mirae Asset Securities Research estimates

Figure 2. OP and OP margin



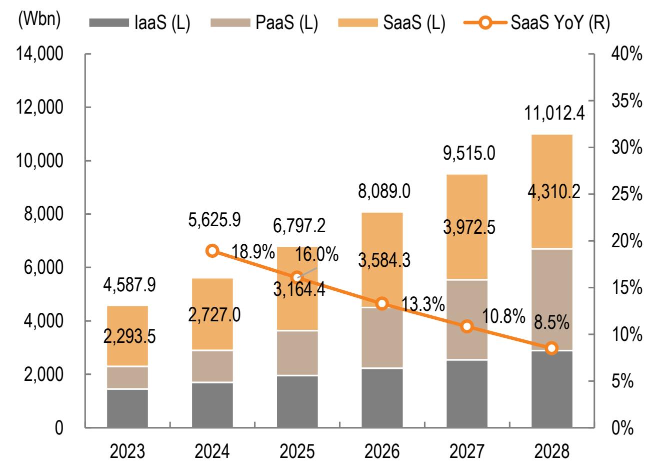
Source: Company data, Mirae Asset Securities Research estimates

Figure 3. Korean software market outlook



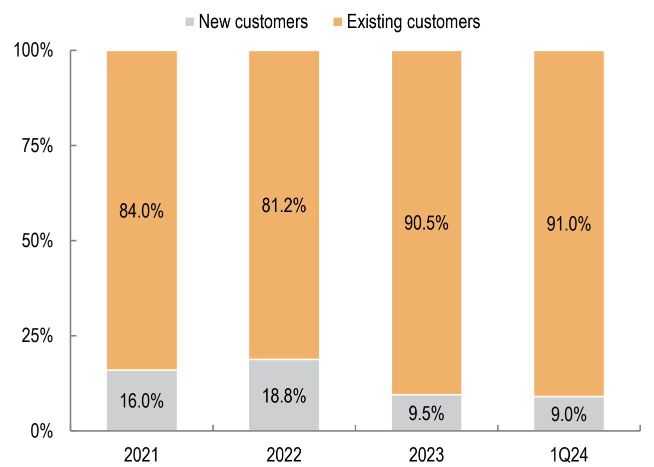
Source: IDC, Mirae Asset Securities Research

Figure 4. Korean cloud market outlook



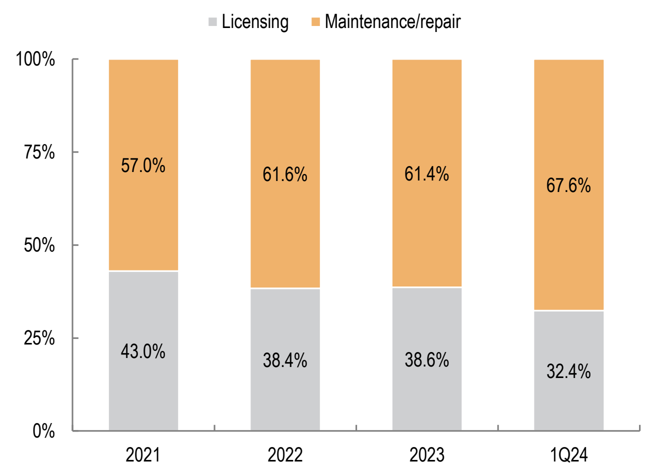
Source: IDC, Mirae Asset Securities Research

Figure 5. Revenue breakdown by customer type (new vs. existing): ASP is increasing



Source: Company data, Mirae Asset Securities Research

Figure 6. Revenue breakdown by category (licensing vs. maintenance/repair): ASP is increasing



Source: Company data, Mirae Asset Securities Research

Growing expectations for generative AI and favorable target market (SMEs)

On Jun. 10, the company officially launched Douzone Bizon OneAI, an AI assistant for users of its ERP software; the service secured 114 customers within 15 days. The starting price is W250,000 per month, which buys a certain number of credits; each time a user generates an AI document, credits are deducted from the prepaid balance in proportion to the computational resources consumed.

We forecast Korean enterprises' generative AI investments to reach W326.7bn in 2024, W580bn in 2025, and over W1tr in 2026. The generative AI solutions market is still in its infancy, with major players like Salesforce and Adobe generating minimal revenue from such products in 1Q24 despite starting commercialization in Mar. 2023. That said, we believe the market outlook for 2H24 is brighter. Accenture, a leading global IT services company, announced in mid-June that its generative AI revenue exceeded US$500mn in 1H24, signaling the start of meaningful revenue recognition for generative AI products.

In this favorable environment, we believe Douzone Bizon holds a distinct advantage owing to its target market: small and medium-sized enterprises (SMEs). Deploying generative AI solutions to SMEs is relatively straightforward. SMEs tend to have quicker decision-making abilities and simpler organizational structures, facilitating faster adoption of new products (and hence faster revenue recognition for suppliers).

Generative AI can play a key role in attracting new customers and encouraging existing customers to transition to cloud services. We believe generative AI is causing Korean enterprises to rethink their software strategies and become more open to adopting advanced technologies. In the early phase of cloud computing, Korean companies were hesitant to switch to the cloud due to concerns about data security. Unlike cloud infrastructure, however, generative AI offers direct, user-facing benefits that allow end-users to experience tangible changes. Given the growing urgency among Korean enterprises to integrate generative AI into their operations, Douzone Bizon should see broader adoption of cloud computing among both new and existing customers.

We see a low risk of significant cost increases associated with generative AI. Douzone Bizon incurs costs based on its usage of Microsoft's Azure OpenAI APIs, but it then passes these costs on to customers. In addition, the company does not need to worry about additional server costs, as GPU usage fees are already included in the API usage fees charged by Microsoft.

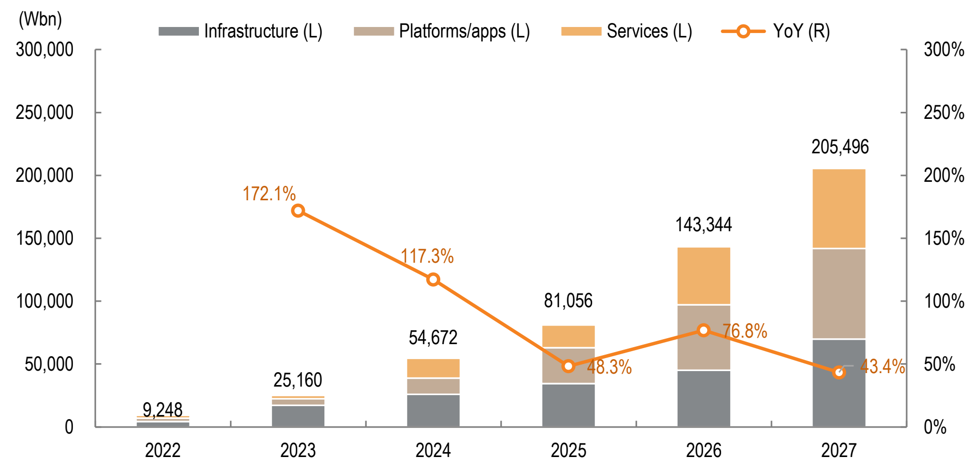
Therefore, while costs may increase during the initial stages of product development, ongoing cost pressures should be limited once products are launched. The leverage effects enabled by this cost structure should lead to visible margin expansion as the generative AI user base grows.

Figure 7. Microsoft's Azure OpenAI service fees

Models	Context	Input (Per 1,000 tokens)	Output (Per 1,000 tokens)
GPT-4o Global Deployment	128K	₩6.9438	₩20.8313
GPT-4o Regional API	128K	₩6.9438	₩20.8313
GPT-3.5-Turbo-0125	16K	₩0.6944	₩2.0832
GPT-3.5-Turbo-Instruct	4K	₩2.0832	₩2.778
GPT-4-Turbo	128K	N/A	N/A
GPT-4-Turbo-Vision	128K	N/A	N/A
GPT-4	8K	₩41.663	₩83.326
GPT-4	32K	₩83.326	₩166.651

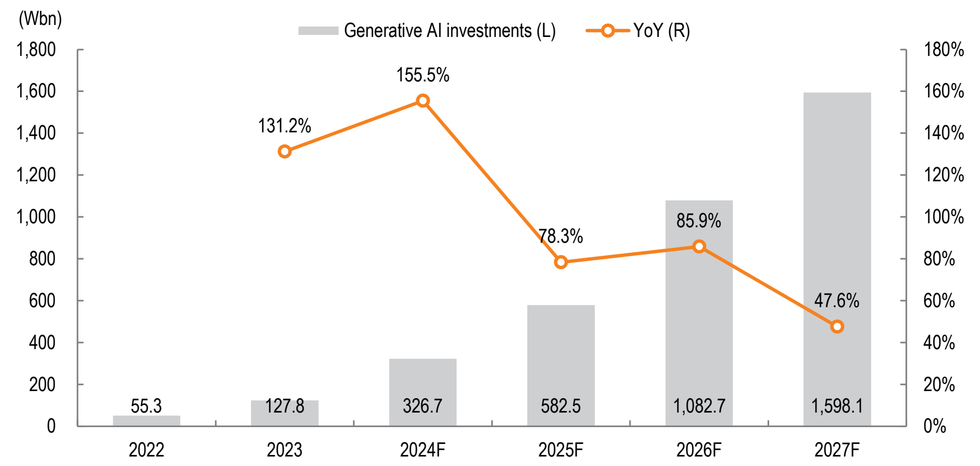
Source: OpenAI, Mirae Asset Securities Research

Figure 8. Generative AI investment outlook: Global



Source: The Next Platform, Mirae Asset Securities Research

Figure 9. Generative AI investment outlook: Korea



Source: IDC, Mirae Asset Securities Research

Global expansion and strategic partnerships to fuel growth

Douzone Bizon is seeking to expand globally, with Japan as its first target market. This quarter, it established a Japanese subsidiary (Genolab) in Sapporo. Initially, the company plans to leverage the sales network of Amazon Web Services (AWS), with which it already signed an MOU to enter Japan's SaaS market. Of note, many Japanese firms adhere to a traditional corporate culture and management style. They also tend to prefer using customized systems and are highly sensitive to security issues, making them reluctant to switch to cloud computing. As a result, only 70-80% of large enterprises in Japan use ERP systems, and adoption rates among SMEs are even lower. In contrast, Korean conglomerates have an ERP adoption rate of 90%, while the figure for SMEs is 50-60%. We believe the Japanese market presents significant opportunities for Douzone Bizon, particularly with the Japanese government actively promoting digital transformation.

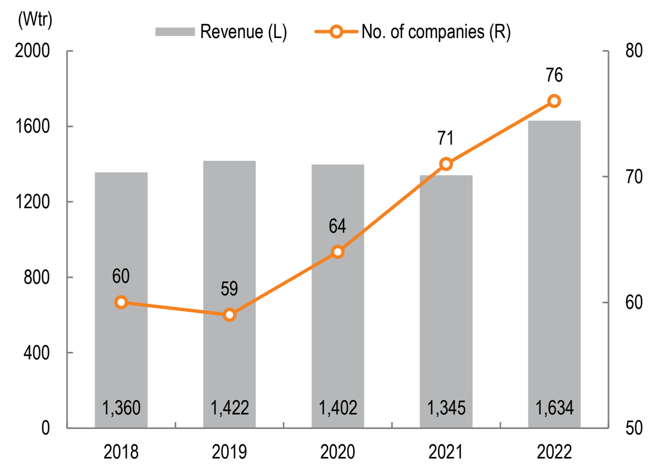
Even more encouraging, the company is making efforts to recruit outside partners for the first time (with details set to be announced on the day of the OmniEsol launch). Partners will be responsible for setting up and maintaining/repairing systems, which suggests they will play a crucial role in supporting large clients. Accordingly, we think the move reflects an attempt to tap into the large enterprises market currently dominated by SAP. Notably, the OmniEsol launch event will include presentations from Microsoft and Amazon, key partners that can help the company expand both domestically and globally (via Azure and AWS, respectively). Overall, we expect the new product and related partnerships to support customer base diversification and overseas expansion. With SAP licenses set to expire in 2026, we see particular opportunities in the public sector ERP market (where SAP software is currently prevalent).

Table 1. Revenue breakdown of Korean software firms by customer type (2022)

Description		Conglomerates	SMEs
Government/public (B2G)		16%	7.50%
Companies (B2B)	Affiliates	13.60%	0.50%
	Non-affiliates	43.80%	79.30%
Individuals (B2C)		20.20%	12.40%
Overseas		6.50%	0.30%

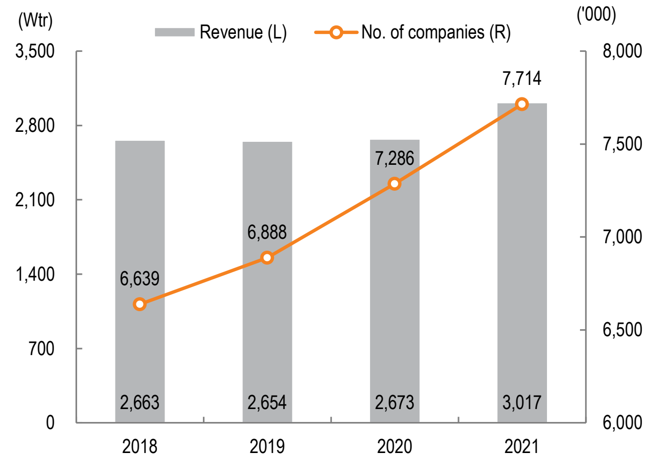
Source: 2023 Software Industry Annual Report (Apr. 2024), Mirae Asset Securities Research

Figure 10. No. and aggregate revenue of conglomerates in Korea



Source: Fair Trade Commission, Mirae Asset Securities Research

Figure 11. No. and aggregate revenue of SMEs in Korea



Source: Ministry of SMEs and Startups, Mirae Asset Securities Research

Earnings outlook

Double-digit growth to continue on accelerating cloud adoption in Korea

Market research firms like Gartner divide the enterprise software market into cloud-based and traditional software. From 2022 to 2027, the global cloud ERP market is projected to expand at a CAGR of 11%, while the traditional ERP market is forecast to grow at only 3% CAGR. Meanwhile, Korea's ERP market is estimated to have grown 9.5% in 2023 and is projected to expand at a CAGR of around 7% from 2024 to 2028.

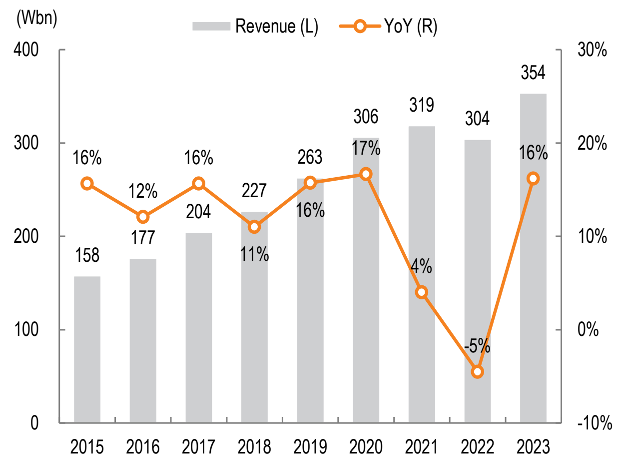
For 2024, we expect Douzone Bizon to post consolidated revenue of W393.4bn (+11% YoY) and operating profit of W83bn (+20% YoY). For 2025, we look for consolidated revenue of W440.6bn (+12% YoY) and operating profit of W101.1bn (+21.9% YoY). Of note, the company saw gains of about W27bn from the sale of a stake in TechFin Ratings to Shinhan Financial Group on Apr. 30. As a result, we forecast net profit to surge 120% YoY to W75.7bn in 2024 before normalizing to W62.4bn in 2025.

Table 2. Earnings and forecasts (Wmn, W)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24F	3Q24F	4Q24F
Revenue (consolidated)	**75,677**	**74,866**	**77,438**	**76,322**	**81,398**	**84,956**	**84,713**	**103,563**	**94,413**	**95,248**	**96,466**	**107,266**
YoY	-0.2%	-7.2%	-0.1%	-10.0%	7.6%	13.5%	9.4%	35.7%	16.0%	12.1%	13.9%	3.6%
Revenue (standalone)	75,008	79,618	76,237	82,914	74,042	73,172	76,078	74,389	79,392	83,111	82,131	87,465
YoY	0.0%	0.0%	0.0%	0.0%	-1.3%	-8.1%	-0.2%	-10.3%	7.2%	13.6%	8.0%	17.6%
Cloud vs on-premises (Mirae Asset Securities est.)												
Cloud	23,043	25,461	27,101	28,520	27,863	33,584	36,409	39,655	39,395	44,149	45,956	48,740
YoY	-12.4%	-9.0%	-0.8%	0.5%	20.9%	31.9%	34.3%	39.0%	41.4%	31.5%	26.2%	22.9%
% of total revenue	30.4%	34.0%	35.0%	37.4%	34.2%	39.5%	43.0%	38.3%	41.7%	46.4%	47.6%	45.4%
Traditional (on-premises)	47639	44109	44837	41846	47328	45048	41266	43250	40619	39803	38458	39810
YoY	9.1%	-5.9%	-1.2%	-18.3%	-0.7%	2.1%	-8.0%	3.4%	-14.2%	-11.6%	-6.8%	-8.0%
% of total revenue	62.9%	58.9%	57.9%	54.8%	58.1%	53.0%	48.7%	41.8%	43.0%	41.8%	39.9%	37.1%
Revenue by business												
Lite ERP	20,291	22,320	20,073	21,907	21,294	22,195	24,115	23,914	22,470	23,439	23,833	25,017
YoY	-10.9%	-11.0%	-13.3%	-2.0%	4.9%	-0.6%	20.1%	9.2%	5.5%	5.6%	-1.2%	4.6%
% of total revenue	26.8%	29.8%	25.9%	28.7%	26.2%	26.1%	28.5%	23.1%	23.8%	24.6%	24.7%	23.3%
Wehago	4,430	6,863	5,571	6,836	8,087	10,322	13,628	12,876	12,639	14,341	15,203	16,514
YoY	-41.5%	-27.5%	-36.0%	7.1%	82.6%	50.4%	144.6%	88.4%	56.3%	0.0%	0.0%	0.0%
% of Lite ERP	21.8%	30.7%	27.8%	31.2%	38.0%	46.5%	56.5%	53.8%	56.2%	61.2%	63.8%	66.0%
Standard ERP	27,482	26,475	25,047	24,299	26,631	27,055	23,634	28,931	27,506	27,046	26,712	28,652
YoY	451	452	453	454	455	456	457	458	459	460	461	462
% of total revenue	36.3%	35.4%	32.3%	31.8%	32.7%	31.8%	27.9%	27.9%	29.1%	28.4%	27.7%	26.7%
Amaranth 10	3,146	1,669	2,358	3,044	2,397	4,510	4,850	7,893	8,452	10,005	10,364	11,953
YoY	-	-	217.4%	159.5%	-23.8%	170.3%	105.7%	159.3%	252.7%	121.8%	113.7%	51.4%
% of Standard ERP	11.4%	6.3%	9.4%	12.5%	9.0%	16.7%	20.5%	27.3%	30.7%	37.0%	38.8%	41.7%
Extended ERP	17,307	14,086	18,065	15,825	19,780	20,749	21,573	20,673	21,010	21,749	23,438	24,021
YoY	2.0%	-24.1%	3.3%	-17.8%	14.3%	47.3%	19.4%	30.6%	6.2%	4.8%	8.6%	16.2%
% of total revenue	22.9%	18.8%	23.3%	20.7%	24.3%	24.4%	25.5%	20.0%	22.3%	22.8%	24.3%	22.4%
Subsidiaries												
Electronic Times (74.38% owned)	-	-	-	-	-	-	-	-	6,905	6,974	7,043	13,468
% of total revenue	-	-	-	-	-	-	-	-	7.3%	7.3%	7.3%	12.6%
OP (consolidated)	**14,260**	**12,168**	**11,484**	**7,622**	**14,068**	**16,517**	**14,916**	**23,570**	**18,115**	**19,495**	**21,786**	**23,594**
OP margin (consolidated)	**18.8%**	**16.3%**	**14.8%**	**10.0%**	**17.3%**	**19.4%**	**17.6%**	**22.8%**	**19.2%**	**20.5%**	**22.6%**	**22.0%**
NP (consolidated)	**9,729**	**7,765**	**7,481**	**-1,899**	**7,425**	**8,866**	**7,619**	**10,418**	**36,578**	**11,692**	**14,638**	**12,806**
EPS (consolidated)	**309.1**	**246.7**	**237.7**	**-60.3**	**235.9**	**281.7**	**242.1**	**331.0**	**1,162.0**	**371.4**	**465.0**	**406.8**

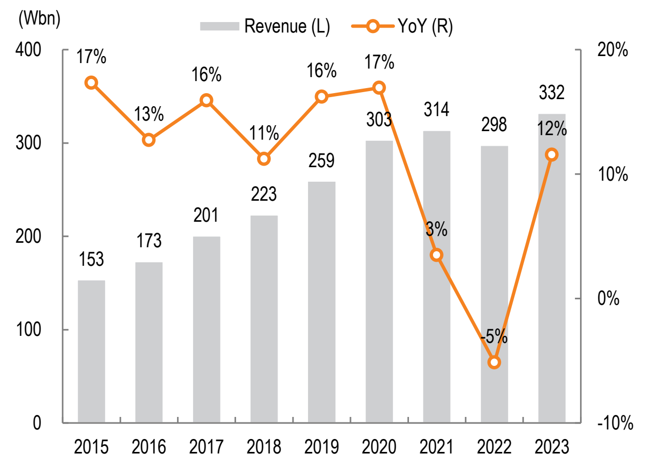
Source: Company data, Mirae Asset Securities Research

Figure 12. Consolidated revenue and growth



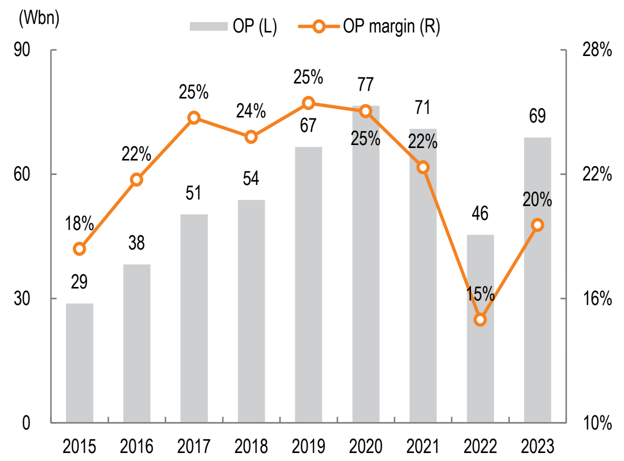
Source: Company data, Mirae Asset Securities Research

Figure 13. Standalone revenue and growth



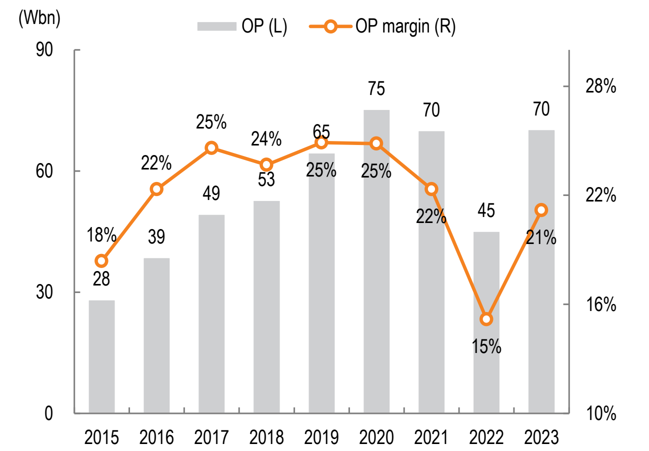
Source: Company data, Mirae Asset Securities Research

Figure 14. Consolidated OP and OP margin



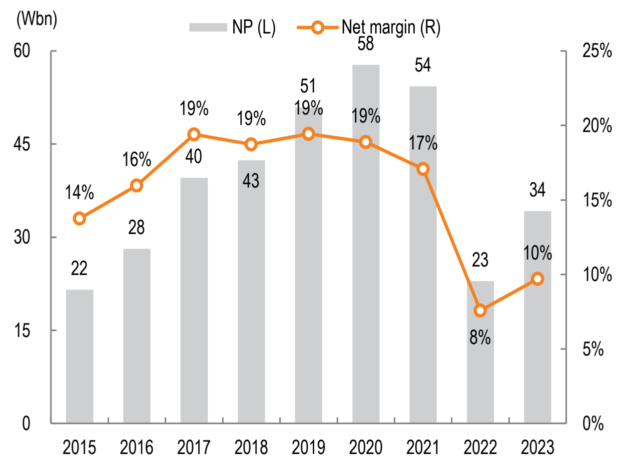
Source: Company data, Mirae Asset Securities Research

Figure 15. Standalone OP and OP margin



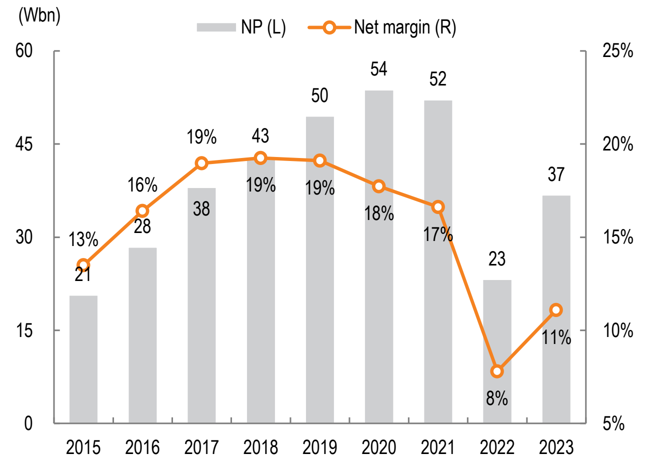
Source: Company data, Mirae Asset Securities Research

Figure 16. Consolidated NP and net margin



Source: Company data, Mirae Asset Securities Research

Figure 17. Standalone NP and net margin



Source: Company data, Mirae Asset Securities Research

Valuation

In deriving our target price for Douzone Bizon, we applied a P/E of 48x to our 2Q24-1Q25 EPS estimate. Our target multiple represents a 30% premium to the five-year average P/E (37x), reflecting expectations for the generative AI, credit bureau (credit information), and accounts receivable factoring businesses. We note that the cloud revenue mix is likely to exceed 50% in 2025. For reference, the stock's P/E multiple surged to as high as 74x in 2019 on expectations for the accounts receivable factoring business but subsequently stabilized, averaging 32x since 2021.

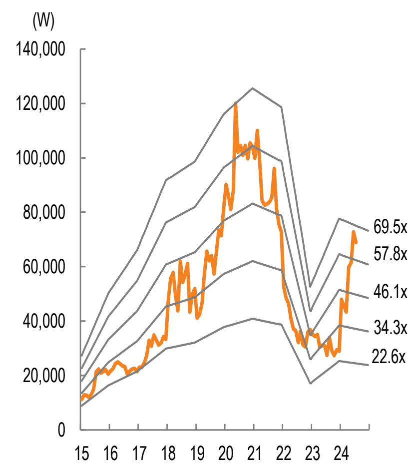
We see a compelling investment case for Douzone Bizon due to: 1) the launch of generative AI solutions; 2) accelerating growth in the share of cloud revenue; and 3) entry into the data-driven finance business. While the AI business and TechFin Ratings (corporate credit analysis and receivables factoring) are still generating negligible revenues, we believe they will eventually contribute to growth in overall ASP and volume. We excluded TechFin Ratings from our earnings estimates, as it has yet to gain a firm footing in the domestic market. Nevertheless, we believe expectations for new businesses justify our valuation premium.

Table 3. TP calculation

	Value	Notes
EPS (W)	1,983.9	2Q24-1Q25F EPS; one-off gains reflected in 1Q24 EPS following the sale of TechFin Ratings shares
Shares outstanding (mn shares)	31.5	
Target P/E (x)	48	30% premium to five-year avg. (20% from generative AI business and 10% from corporate credit analysis and receivables factoring businesses)
TP (W)	95,226	
Current price (W)	71,800	As of Jul. 4, 2024
Upside	32.6%	

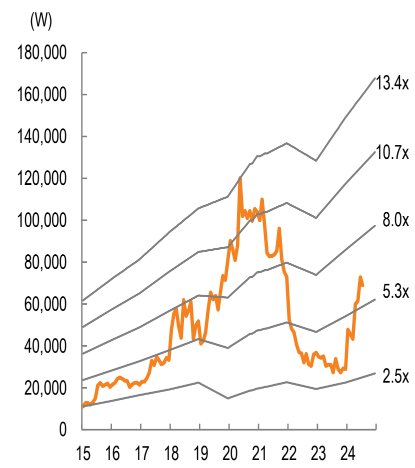
Source: Mirae Asset Securities Research

Figure 18. P/E band chart



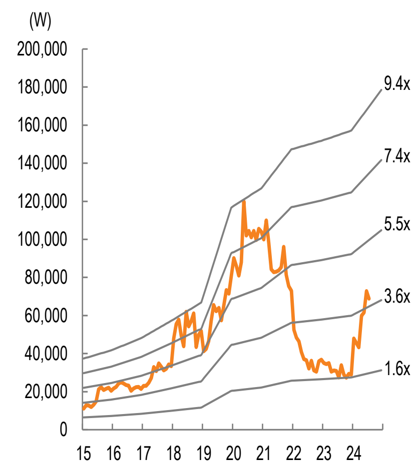
Source: Bloomberg, Mirae Asset Securities Research

Figure 19. EV/sales band chart



Source: Bloomberg, Mirae Asset Securities Research

Figure 20. P/B band chart



Source: Bloomberg, Mirae Asset Securities Research

Peer valuations

In North America, we think Intuit (INTU US) is Douzone Bizon's most comparable peer. Intuit is the largest tax solutions provider in the US and also offers accounting solutions for self-employed individuals and SMEs. The company recently pushed into the credit bureau business utilizing its tax data and is working to expand into other areas of finance, such as insurance recommendations. Intuit and Douzone Bizon have similar target markets (SMEs and micro businesses), and both recently entered the data-driven finance space. Another similar company is HubSpot (HUBS US), which specializes in customer relationship management (CRM) software for SMEs and micro businesses (whereas Salesforce targets large corporations). Intuit is trading at a P/E of 39x and P/S of 11x, while HubSpot is trading at a P/E of 80x and P/S of 11x.

Table 4. Peer valuations

	Industry	Company	Ticker	Market cap (Wbn)	FY1 P/E (x)	FY1 P/B (x)	FY1 P/S (x)	Revenue (Wbn)			OP (Wbn)	
								2023	2024F	Revenue growth	2023	2024F
Domestic	Cloud	Douzone Bizon	012510 KS	2,126.8	37.5	4.5	5.3	304	354	16.2%	45.5	69.1
		Emro	058970 KS	618.9	123.8	19.1	7.8	59	63	7.8%	6.5	4.7
		Hancom	030520 KS	532.0	14.0	1.5	1.8	242	271	12.0%	25.0	34.2
	Platforms	NAVER	035420 KS	25,952.9	16.4	1.0	2.4	8,220	9,671	17.6%	1,304.7	1,488.8
		Kakao	035720 KS	17,780.2	40.4	1.7	2.1	7,107	7,557	6.3%	581.1	460.9
		Cafe24	042000 KS	879.2	56.0	4.5	3.0	266	278	4.5%	(21.3)	(3.1)
	Financial data	Industrial Bank of Korea	024110 KS	11,203.8	4.1	0.3	1.3	14,130	20,636	46.0%	4,102.5	4,033.7
		KakaoBank	323410 KS	9,920.1	23.1	1.5		1,605	2,489	55.0%	357.3	484.6
		KakaoPay	377300 KS	3,599.4	150.0	1.9	4.8	551	669	21.3%	(14.9)	(11.0)
		NICE	030190 KS	643.2	10.9	1.6	1.3	480	486	1.2%	71.6	65.3
Global (Based on GAAP)	SME solutions	Intuit	INTU US	254,861.0	39.0	9.7	11.3	12.7	14.4	12.9%	2.6	3.1
		HubSpot	HUBS US	41,358.6	79.5	17.5	11.6	1.7	2.2	25.4%	(0.1)	(0.2)
	Large enterprise solutions	Oracle	ORCL US	548,582.4	22.9	21.5	6.8	50.0	53.0	6.0%	13.1	15.4
		SAP	SAP US	338,931.0	38.9	4.9	6.7	29.5	31.2	5.7%	6.1	5.8
	Horizontal solutions	Salesforce	CRM US	344,893.6	25.9	3.9	6.6	31.4	34.9	11.2%	1.0	5.0
		ServiceNow	NOW US	226,169.3	58.8	16.9	14.9	7.2	9.0	23.8%	0.4	0.8
		Workday	WDAY US	83,485.6	32.7	7.2	6.9	7.3	7.3	0.0%	0.3	0.3
	Data platforms	Snowflake	SNOW US	66,012.8	220.7	10.5	13.6	2.1	2.8	35.9%	(0.8)	(1.1)
		Informatica	INFA US	12,700.8	27.3	3.8	5.4	1.5	1.6	6.0%	0.0	0.0
		Palantir	PLTR US	79,976.0	66.4	78.0	21.3	2.6	3.1	16.7%	(0.2)	0.2
	Vertical solutions	Adobe	ADBE US	349,720.7	31.3	16.1	11.7	17.6	19.4	10.2%	6.1	6.7
		Autodesk	ADSK US	74,211.3	30.5	17.2	8.8	5.0	5.5	9.8%	1.0	1.1

Source: Mirae Asset Securities Research

Table 5. Douzone Bizon: EV/sales scenario analysis (Wmn)

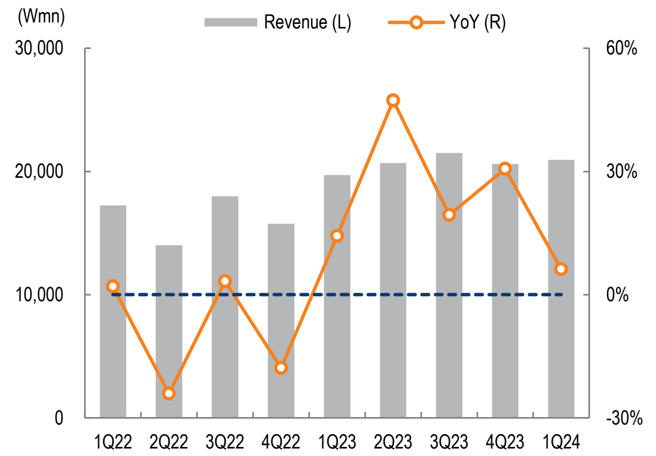
Target EV/sales	6x	7x	8x	9x	10x
Expected revenue	404,257				
Target EV	2,425,541	2,829,798	3,234,055	3,638,312	4,042,569
Net debt (cash)	78,000				
Market cap.	2,503,541	2,907,798	3,312,055	3,716,312	4,120,570
Target price	79,600	92,400	105,300	118,100	131,000
Current price (7/4/24)	71,800				
Upside	10.8%	28.7%	46.5%	64.4%	82.3%

Source: Mirae Asset Securities Research

Major products and services

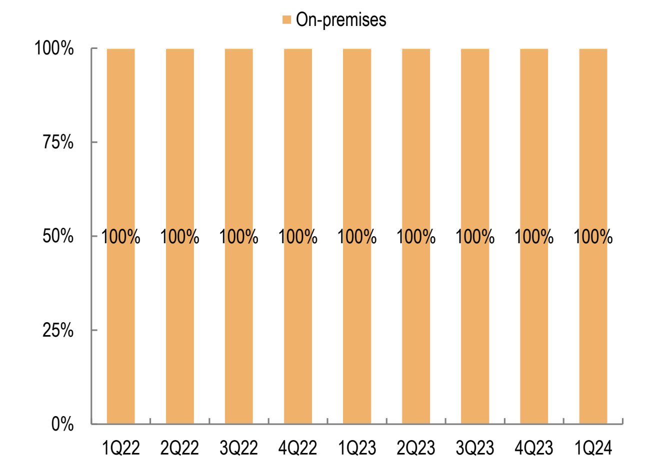
Douzone Bizon's product lineup consists of Extended ERP (for businesses with 100 or more employees), Standard ERP (for businesses with five to 100 employees), and Lite ERP (for businesses with five to 50 employees).

Figure 21. Extended ERP: Quarterly revenue trend



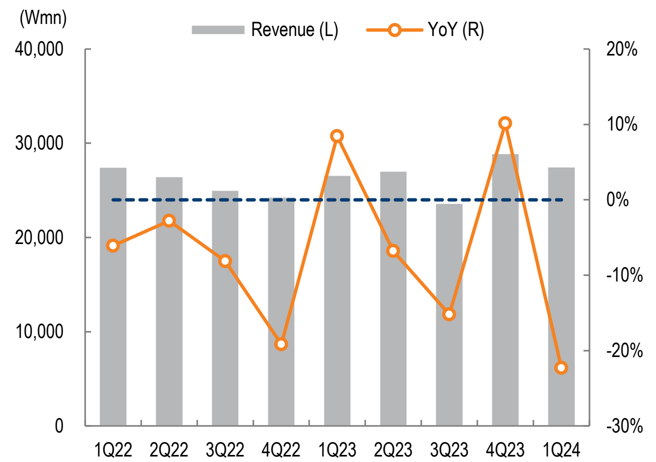
Source: Company data, Mirae Asset Securities Research

Figure 22. Extended ERP: Quarterly revenue breakdown



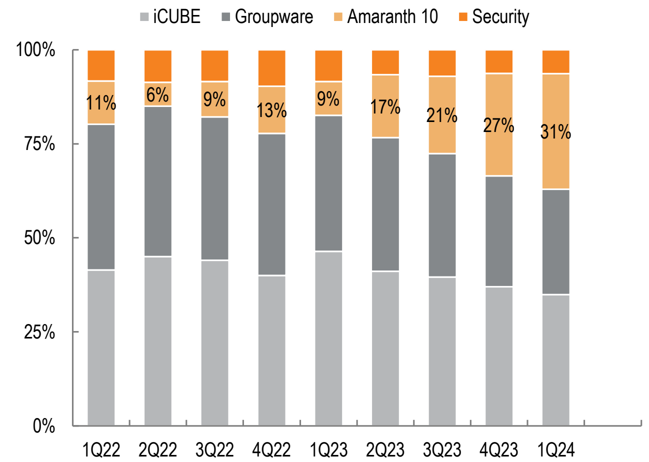
Source: Company data, Mirae Asset Securities Research

Figure 23. Standard ERP: Quarterly revenue trend



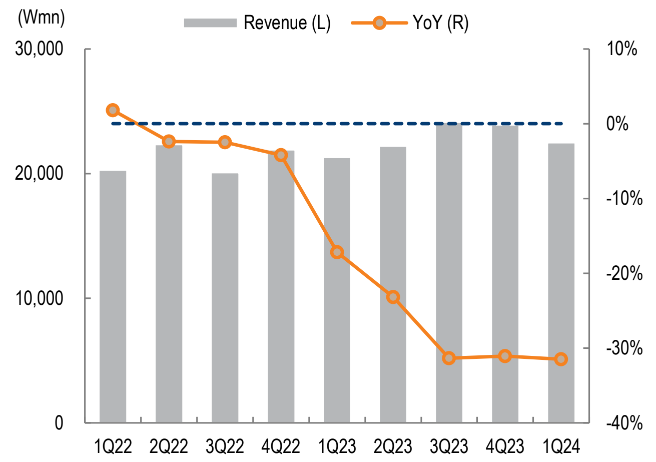
Source: Company data, Mirae Asset Securities Research

Figure 24. Standard ERP: Quarterly revenue breakdown



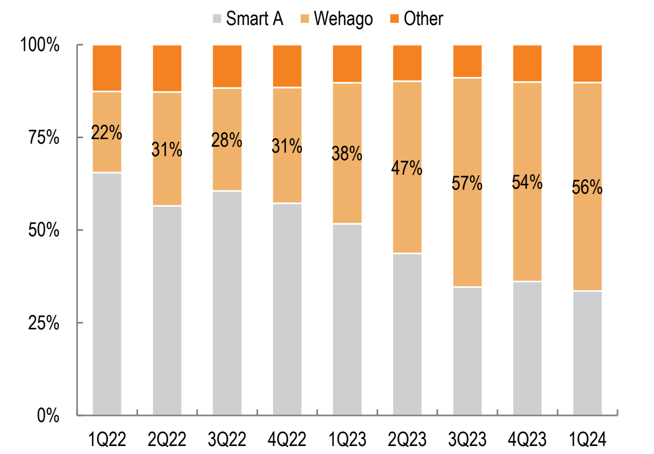
Source: Company data, Mirae Asset Securities Research

Figure 25. Lite ERP: Quarterly revenue trend



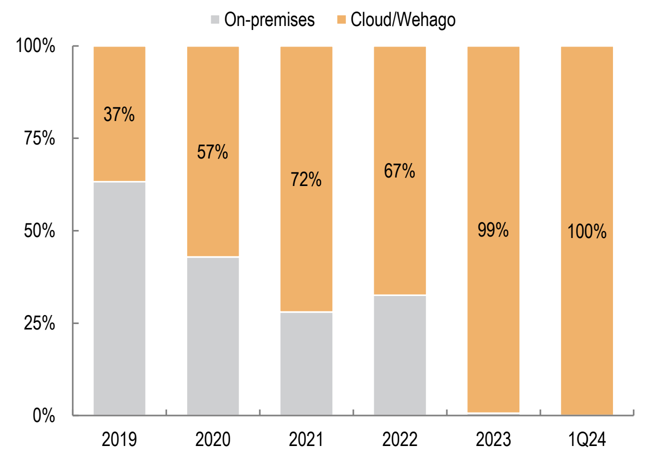
Source: Company data, Mirae Asset Securities Research

Figure 26. Lite ERP: Quarterly revenue breakdown



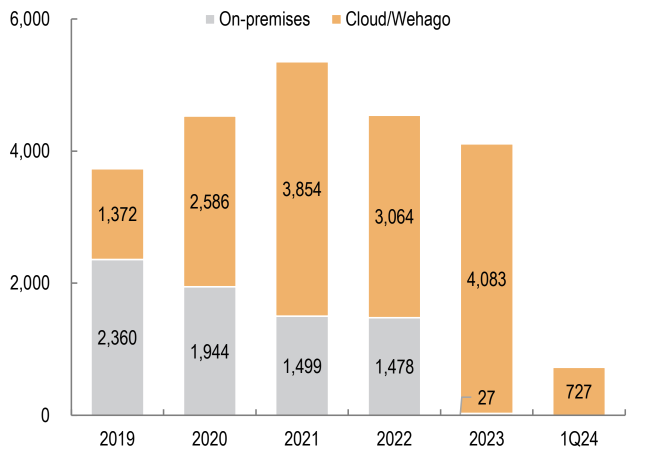
Source: Company data, Mirae Asset Securities Research

Figure 27. Revenue mix of cloud/Wehago (new sales contracts)



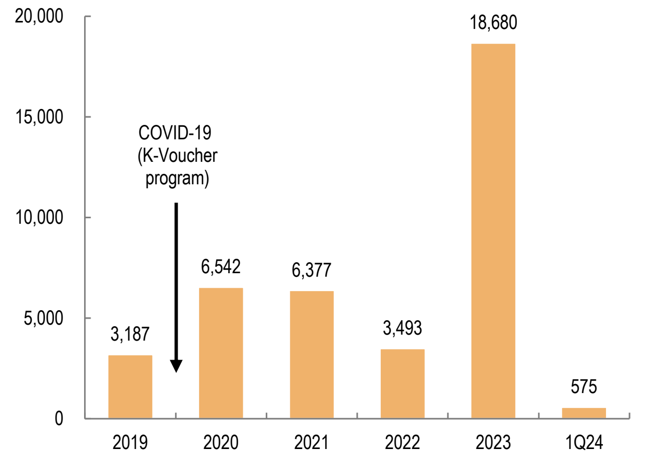
Source: Company data, Mirae Asset Securities Research

Figure 28. Lite ERP: Cloud/Wehago vs. on-premises (based on no. of new sales contracts)



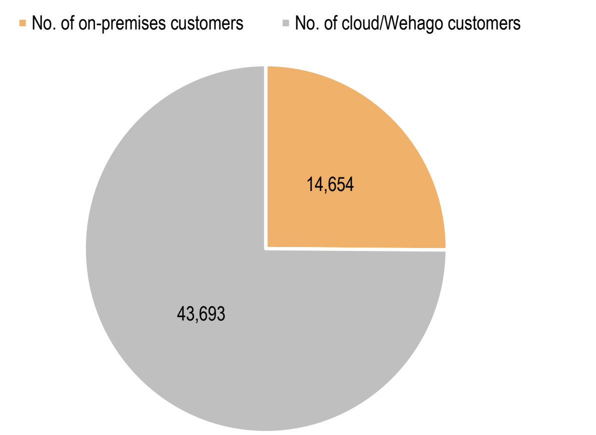
Source: Company data, Mirae Asset Securities Research

Figure 29. No. of on-premises customers transitioning to cloud/Wehago



Source: Company data, Mirae Asset Securities Research

Figure 30. On-premises vs. cloud/Wehago based on no. of customers



Source: Company data, Mirae Asset Securities Research

Douzone Bizon (012510 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	**354**	**393**	**441**	**500**
Cost of revenue	**201**	**215**	**234**	**263**
GP	**153**	**178**	**207**	**237**
SG&A expenses	**84**	**95**	**105**	**117**
OP (adj.)	**69**	**83**	**101**	**120**
OP	**69**	**83**	**101**	**120**
Non-operating profit	**-24**	**7**	**-23**	**-22**
Net financial income	-14	-3	0	1
Net income from associates	-1	0	0	0
Pretax profit	45	90	78	98
Income tax	11	14	16	18
Profit from continuing operations	34	76	62	80
Profit from discontinued operations	0	0	0	0
NP	**34**	**76**	**62**	**80**
Attributable to owners	35	55	62	80
Attributable to minority interests	-1	21	0	0
Total comprehensive income	**24**	**76**	**62**	**80**
Attributable to owners	25	33	27	35
Attributable to minority interests	-1	43	35	45
EBITDA	106	118	134	154
FCF	76	58	64	115
EBITDA margin (%)	29.9	30.0	30.4	30.8
OP margin (%)	19.5	21.1	22.9	24.0
Net margin (%)	9.9	14.0	14.1	16.0

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	**126**	**163**	**183**	**278**
Cash & equivalents	54	100	114	197
AR & other receivables	49	52	58	67
Inventory	1	1	1	2
Other current assets	22	10	10	12
Non-current assets	**758**	**707**	**685**	**682**
Investments in associates	0	0	0	0
PP&E	373	325	302	289
Intangible assets	104	121	120	129
Total assets	**883**	**870**	**868**	**960**
Current liabilities	**415**	**301**	**243**	**260**
AP & other payables	15	16	18	21
Short-term financial liabilities	272	181	141	141
Other current liabilities	128	104	84	98
Non-current liabilities	**23**	**23**	**24**	**27**
Long-term financial liabilities	7	6	6	6
Other non-current liabilities	16	17	18	21
Total liabilities	**438**	**324**	**267**	**287**
Equity attributable to owners	**427**	**529**	**583**	**655**
Capital stock	16	16	16	16
Capital surplus	226	475	475	475
Retained earnings	286	122	176	248
Minority interests	**18**	**18**	**18**	**18**
Shareholders' equity	**445**	**547**	**601**	**673**

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	**101**	**60**	**74**	**125**
NP	34	76	62	80
Non-cash income/expenses	78	29	48	51
Depreciation	26	25	23	23
Amortization	11	11	11	11
Other	41	-7	14	17
Chg. in working capital	4	-32	-22	10
Chg. in AR & other receivables	2	-5	-5	-9
Chg. in inventory	1	0	0	0
Chg. in AP & other payables	0	0	0	1
Income tax	-2	-10	-16	-18
Cash flow from investing activities	**-68**	**75**	**-12**	**-33**
Chg. in PP&E	-25	18	0	-10
Chg. in intangible assets	-11	19	-10	-20
Chg. in financial assets	24	-1	-2	-3
Other	-56	39	0	0
Cash flow from financing activities	**-33**	**-110**	**-48**	**-8**
Chg. in financial liabilities	7	-91	-40	0
Chg. in equity	0	248	0	0
Dividends	-7	-8	-8	-8
Other	-33	-259	0	0
Chg. in cash	**0**	**42**	**14**	**83**
Beginning balance	54	59	100	114
Ending balance	54	100	114	197

Key valuation metrics/ratios

	2023	2024F	2025F	2026F
P/E (x)	25.9	41.1	36.2	28.2
P/CF (x)	8.1	21.5	20.4	17.2
P/B (x)	1.7	3.7	3.4	3.1
EV/EBITDA (x)	10.5	19.3	16.5	13.9
EPS (W)	1,117	1,749	1,984	2,548
CFPS (W)	3,578	3,341	3,520	4,171
BPS (W)	16,765	19,473	21,191	23,472
DPS (W)	217	600	300	300
Dividend payout ratio (%)	17.7	22.2	13.5	10.5
Dividend yield (%)	0.7	0.8	0.4	0.4
Revenue growth (%)	16.2	11.3	12.0	13.5
EBITDA growth (%)	37.6	11.7	13.7	14.8
OP growth (%)	51.7	20.2	21.9	18.6
EPS growth (%)	47.6	56.6	13.5	28.4
AR turnover (x)	8.3	8.1	8.3	8.3
Inventory turnover (x)	226.2	315.5	313.6	312.7
AP turnover (x)	85.2	81.3	78.1	77.0
ROA (%)	4.0	8.6	7.2	8.8
ROE (%)	8.2	11.5	11.2	13.0
ROIC (%)	13.2	17.3	20.7	25.5
Debt-to-equity ratio (%)	98.3	59.2	44.5	42.7
Current ratio (%)	30.2	54.2	75.5	107.0
Net debt-to-equity ratio (%)	48.5	14.3	3.9	-9.1
Interest coverage ratio (x)	4.8	21.7	0.0	0.0

Source: Company data, Mirae Asset Securities Research estimates

Appendix 1

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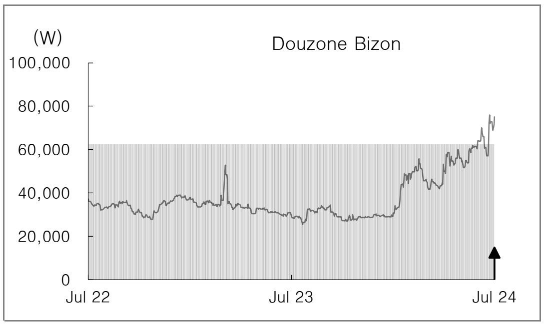
Two-year rating and TP history

Company	Date	Rating	TP (W)
Douzone Bizon (012510)	07/05/24	Buy	95,200



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	85.36%	9.15%	5.49%	0%
Investment banking services	80.96%	9.52%	9.52%	0%

* Based on recommendations in the last 12-months (as of March 31, 2024)

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