

Overweight (Maintain)

Industry Report
October 11, 2018

Mirae Asset Daewoo Co., Ltd.

[MedTech/IT small-cap]

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Medtech

3Q18 MedTech preview

Share performances since 3Q18

1) Domestic companies: HansBiomed (042520 KQ/CP: W28,300; +14.1%), EDGC (245620 KQ/CP: W7,010; +12.8%), Classys (214150 KQ/CP: W4,505; +7.9%), Vieworks (100120 KQ/Buy/TP: W43,000/CP: W35,200; +7.3%), and Hironic (149980 KQ/CP: W5,970; +6.6%) have outperformed. In particular, aesthetics-related names have seen strong gains. Other names, like JVM (054950 KQ/CP: W39,900; +5.1%) and Infinitt Healthcare (071200 KQ/CP: W6,200; +3.7%), have also fared relatively well.

Meerecompany (049950 KQ/CP: W74,200; -43.5%), Sejong Medical (258830 KQ/CP: W13,800; -28.6%), Genomictree (228760 KE/CP: W33,700; -24.4%), Interojo (119610 KQ/CP: W27,600; -22.8%), and Seegene (096530 KQ/CP: W20,900; -21.1%) have underperformed. High-P/E stocks have generally displayed more volatility.

2) Overseas companies: Tandem Diabetes (TNDM US/CP: US\$34.34; +52.8%), Stereotaxis (STXS US/CP: US\$1.23; +48.8%), Takara Bio (4974 JT/CP: JPY2986; +32.9%), Genomic Health (GHDX US/CP: US\$62.80; +26.1%), and TransEnterix (TRXC US/CP: US\$4.87; +25.6%) have stood out. Companies targeting relatively new markets, rather than traditional MedTech names, have performed strongly. Stocks related to bioengineering have also seen good returns.

Cutera (CUTR US/CP: US\$22.40; -48.7%), Cyberdyne (7779 JT/CP: JPY775; -40.9%), BGI Genomics (300676 CH/CP: CNY55.00; -39.4%), Restoration Robotics (HAIR US/CP: US\$1.76; -35.0%), and Varex Imaging (VREX US/CP: US\$25.55; -30.2%) have underperformed.

Dentium is our top pick; also watch Vieworks from earnings perspective, InBody and Vatech from valuation perspective

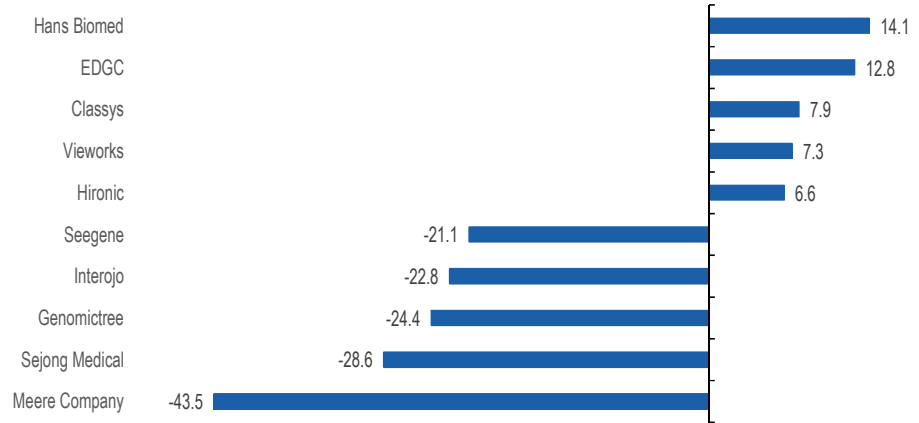
We recommend Dentium (145720 KS/Buy/TP: W114,000/CP: W85,400) as our top MedTech pick. At a time when market volatility is increasing, we believe that Dentium will attract increasing attention, given its growth potential (three-year revenue CAGR of 22%), profitability (2018-20F average OP margin of 26.7%), and attractive valuation (12-month forward P/E of 21.5x, versus 24.9x for global peers).

As an earnings recovery play, we believe Vieworks (100120 KQ/Buy/TP: W43,000/CP: W35,200) merits attention. The unfavorable base effects that have long plagued the company began to recede in 3Q18, raising prospects of renewed growth. Given the company's margin structure, which has a low exposure to fixed costs, we think that as top-line growth gains momentum, OP margin will recover quickly on operating leverage effects.

As an undervalued play, we highlight InBody (041830 KQ/Buy/TP: W37,000/CP: W24,700) and Vatech (043150 KQ/Buy/TP: W43,000/CP: W27050), which are trading at historically low 12-month forward P/Es of 14.7x and 9.7x, respectively.

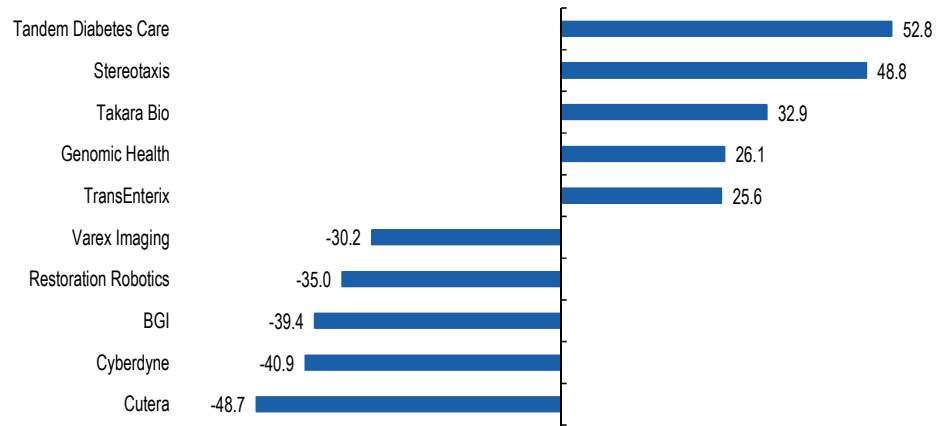
Global MedTech 3Q18 share performances

Figure 1. Korea MedTech: The five best and five worst performers



Note: From June 29th to October 10th, 2018
 Source: Mirae Asset Daewoo Research

Figure 2. Global MedTech: The five best and five worst performers (recent three-month period)



Source: Bloomberg, Mirae Asset Daewoo Research

Table 1. Market caps and share performances of major MedTech firms

(Wbn, %)

	Ticker	Company	Key business category	Market cap	Performance
In-vitro diagnostics	A096530	Seegene	Molecular diagnosis	574.5	-21.1
	A228760	Genomictree	Early screening tests for colorectal cancer	289.5	-24.4
	A182400	ATGen	Immunodiagnosis	379.5	-5.5
	A038290	Macrogen	Genome analysis	368.0	-3.7
	A206640	Boditech Med	Genome analysis, POCT	329.4	-9.5
	A099190	i-SENS	Blood glucose monitoring device, blood glucose strip, blood analyzer	270.6	-13.0
	A245620	EDGC	Genome analysis	281.4	12.8
	A046210	Panagene	Molecular diagnosis	198.6	-4.8
	A039860	NanoenTek	Rapid test kits	145.5	-1.4
	A950130	Access Bio	Immunodiagnosis, Malaria diagnostic kit	119.5	-0.2
	A084650	LabGenomics	Genome analysis	73.8	-7.2
	A127120	DNA Link	Genome analysis	54.8	-24.4
Dental equipment	A145720	Dentium	Dental implant, dental equipment, stent	987.3	-6.6
	A048260	Osstem Implant	Dental implant, dental equipment/materials	682.1	-7.1
	A039840	DIO Implant	Dental implant, dental equipment, stent	451.3	-20.5
	A043150	Vatech	Dental equipment(digital X-ray, CT)	428.5	-14.3
	A122310	Genoray	Dental imaging system, C-Arm	104.2	-1.2
Surgery/treatment	A098460	Koh Young	Brain surgery navigation system	1,334.6	-13.1
	A049950	Meere Company	Laparoscopic surgical robots, display-manufacturing equipment	637.8	-43.5
	A060280	Curexo	Artificial joint surgical robots	250.8	-16.9
	A258830	Sejong Medical	Laparoscopic surgery system and equipment	104.0	-28.6
Esthetic	A085370	Lutronic	Laser-based MedTech devices	280.9	-26.0
	A214150	Classys	HIFU face lifting system	291.9	7.9
	A042520	HansBiomed	Bone and skin transplant tissues, and silicone polymer products	302.6	14.1
	A149980	Hironic	HIFU face lifting system	88.8	6.6
	A219750	GTG Wellness	Body-shape management	62.5	-10.5
Imaging diagnosis	A100210	Vieworks	Digital X-ray detectors and industrial cameras	347.6	7.3
	A228850	Rayence	Dental equipment (digital X-ray detectors)	307.8	-10.0
	A065510	Huvitz	Auto ref-keratometer, lensmeter, Lens edging system	122.4	-19.5
	A041920	Mediana	Patient monitoring system, cardiac defibrillators (AED, Non-AED)	69.5	-2.5
	A214680	DRTECH	Digital X-ray detectors	74.3	-6.9
Healthcare software	A032620	UBcare	EMR solution	216.4	-8.7
	A071200	INFINITT Healthcare	Imaging diagnostic system	163.7	3.7
	A032850	BITComputer	Medical data software, U-healthcare businesses	94.8	-11.9
Other	A041830	InBody	Body composition analyzers	344.8	-12.7
	A119610	Interjo	Corrective and aesthetic lenses	298.3	-22.8
	A054950	JVM	Automatic tablet dispensing and packing system (ATDPS)	252.3	5.1

Note: From June 29, 2018 to October 10, 2018

Source: Mirae Asset Daewoo Research

Table 2. Market caps and share performances of major MedTech firms (1)

(Wbn, %)

Industry	Ticker	Company name	Market cap	3-month performance
Imaging diagnostics	ge us equity	GENERAL ELECTRIC CO	133956.7	-4.4
	7751 jp equity	CANON INC	47445.5	-0.1
	SHL GR EQUITY	SIEMENS HEALTHINEERS AG	44861.1	-9.9
	phg us equity	KONINKLIJKE PHILIPS NVR- NY	45039.8	-5.3
	6501 jp equity	HITACHI LTD	35436.6	-7.6
	4901 jp equity	FUJIFILM HOLDINGS CORP	25792.6	14.5
	4543 JT Equity	TERUMO CORP	26857.9	16.4
	holx us equity	HOLOGIC INC	12799.5	0.0
	pki us equity	PERKINELMER INC	11430.9	19.4
	var us equity	VARIAN MEDICAL SYSTEMS INC	11237.2	-8.6
	tdy us equity	TELEDYNE TECHNOLOGIES INC	9699.7	16.5
	4902 jp equity	KONICA MINOLTA INC	5999.1	19.2
	vrex us equity	VAREX IMAGING CORP	1159.7	-30.2
	AGFB BB equity	AGFA-GEVAERT NV	843.6	-5.2
	In-vitro diagnostics	rog sw equity	ROCHE HOLDING AG-GENUSSSCHEIN	240842.2
abt us equity		ABBOTT LABORATORIES	142261.9	13.5
TMO UN Equity		THERMO FISHER SCIENTIFIC INC	109949.6	12.1
dhr us equity		DANAHER CORP	84954.0	6.6
BDX UN Equity		BECTON DICKINSON AND CO	76240.6	2.4
ILMN UW Equity		ILLUMINA INC	54133.4	11.1
A UN Equity		AGILENT TECHNOLOGIES INC	25168.1	9.0
6869 JT EQUITY		SYSMEX CORP	19511.4	-10.1
MTD UN Equity		METTLER-TOLEDO INTERNATIONAL	16947.7	-0.4
WAT UN Equity		WATERS CORP	15911.0	-9.2
bim fp equity		BIOMERIEUX	9631.7	-17.8
ERF FP Equity		EUROFINS SCIENTIFIC	9609.2	-9.5
exas us equity		EXACT SCIENCES CORP	9779.9	12.3
QIA GY Equity		QIAGEN N.V.	9080.4	-4.3
300676 ch equity		BGI GENOMICS CO LTD-A	3983.9	-39.4
4974 JT EQUITY		TAKARA BIO INC	3707.7	32.9
Mygn us equity		MYRIAD GENETICS INC	3484.2	13.6
qdel us equity		QUIDEL CORP	2859.1	-7.4
ghdx us equity		GENOMIC HEALTH INC	2624.9	26.1
ntra us equity		NATERA INC	1500.9	2.9
neo US EQUITY		NEOGENOMICS INC	1467.5	-1.0
lmnx us equity		LUMINEX CORP	1402.0	-10.8
pacb us equity	PACIFIC BIOSCIENCES OF CALIF	705.8	15.8	
vcyt us equity	VERACYTE INC	449.4	-5.3	
Artificial organs and joints	jinj us equity	JOHNSON & JOHNSON	424787.6	9.3
	mdt us equity	MEDTRONIC PLC	147767.7	10.1
	syk us equity	STRYKER CORP	74906.9	1.0
	bax us equity	BAXTER INTERNATIONAL INC	44352.0	-2.2
	ZBH UN Equity	ZIMMER BIOMET HOLDINGS INC	29375.2	10.5
	abmd us equity	ABIOMED INC	20168.0	-2.5
	SNN US EQUITY	SMITH & NEPHEW PLC -SPON ADR	17604.9	-2.0
Dentistry	algn us equity	ALIGN TECHNOLOGY INC	31152.4	-3.0
	STMN SW Equity	STRAUMANN HOLDING AG-REG	12084.6	-11.3
	xray us equity	DENTSPLY SIRONA INC	9041.8	-21.5
	002690 ch equity	HEFEI MEIYA OPTOELECTRONIC-A	2354.8	-9.7

Source: Bloomberg, Mirae Asset Daewoo Research

Table 3. Market caps and share performances of major MedTech firms (2)

(Wbn, %)

Industry	Ticker	Company name	Market cap	3-month performance
Surgical robots	ISRG UW Equity	INTUITIVE SURGICAL INC	68732.1	5.8
	MZOR US EQUITY	MAZOR ROBOTICS LTD-SPON ADR	1750.2	-2.8
	7779 JT Equity	CYBERDYNE INC	1672.1	-40.9
	HAIR US EQUITY	RESTORATION ROBOTICS INC	95.2	-35.0
	ARAY US EQUITY	ACCURAY INC	411.3	5.8
	TRXC US EQUITY	TRANSENTERIX INC	1206.4	25.6
	STXS US EQUITY	STEREOTAXIS INC	81.9	48.8
Ophthalmology	7732 jt equity	TOPCON CORP	2188.3	9.0
	6594 jt equity	NIDEC CORP	45645.5	-8.9
	afx gy equity	CARL ZEISS MEDITEC AG - BR	7687.2	3.9
	7733 JT Equity	OLYMPUS CORP	15251.9	2.3
	7731 jp equity	NIKON CORP	8340.3	16.1
	7741 JT Equity	HOYA CORP	25075.8	5.8
	COO UN Equity	COOPER COS INC/THE	14515.7	5.9
	NVS us equity	NOVARTIS AG-SPONSORED ADR	246845.6	10.1
Wearable	grmn us equity	GARMIN LTD	14438.1	6.2
	Fit us equity	FITBIT INC - A	1378.8	-28.7
Esthetic	AGN UN Equity	ALLERGAN PLC	74196.4	9.2
	cutr us equity	CUTERA INC	346.3	-48.7
Blood glucose	DXCM UW Equity	DEXCOM INC	12311.8	22.5
	tndm us equity	TANDEM DIABETES CARE INC	2255.2	52.8
	podd us equity	INSULET CORP	6098.9	2.2
Medical examination centers	4544 JT Equity	MIRACA HOLDINGS INC	1674.5	-5.3
	ESRX UW Equity	EXPRESS SCRIPTS HOLDING CO	61715.2	19.8
	FRE GY Equity	FRESENIUS SE & CO KGAA	49522.7	-0.5
	FME GY Equity	FRESENIUS MEDICAL CARE AG &	35760.8	6.3
	LH UN Equity	LABORATORY CRP OF AMER HLDGS	19969.2	-6.6
	DGX UN Equity	QUEST DIAGNOSTICS INC	16105.5	-8.3
	DVA UN Equity	DAVITA INC	14208.3	6.0
	SHL AT Equity	SONIC HEALTHCARE LTD	8436.9	-2.7
	EVHC UN Equity	ENVISION HEALTHCARE CORP	6349.1	3.1
	MD UN Equity	MEDNAX INC	4936.4	5.3
Insurance	UNH UN Equity	UNITEDHEALTH GROUP INC	295720.1	5.7
	ANTM UN Equity	ANTHEM INC	82552.8	11.9
	AET UN Equity	AETNA INC	75868.9	8.2
	CI UN Equity	CIGNA CORP	59252.1	23.4
	HUM UN Equity	HUMANA INC	52518.4	7.3
	CNC UN Equity	CENTENE CORP	33385.2	9.5
Distributors	2784 JT Equity	ALFRESA HOLDINGS CORP	7212.8	18.7
	7459 JT Equity	MEDIPAL HOLDINGS CORP	5959.4	9.5
	9987 JT Equity	SUZUKEN CO LTD	5658.1	17.6
	MCK UN Equity	MCKESSON CORP	31095.5	-1.2
	CAH UN Equity	CARDINAL HEALTH INC	18548.8	8.4
	ABC UN Equity	AMERISOURCEBERGEN CORP	22375.9	3.2
	HSIC UW Equity	HENRY SCHEIN INC	15291.6	15.7
	PDCO UW Equity	PATTERSON COS INC	2552.8	2.2
	SNN US EQUITY	SMITH & NEPHEW PLC -SPON ADR	17604.9	-2.0
Indices	s5hlth index	S&P 500 HEALTH CARE IDX	-	8.6
	S5HCES Index	S&P 500 HC EQUIP&SVC IDX	-	7.6
	MXW00hc index	MSCI WORLD/HLTH CARE	-	5.7
	MXW00HE index	MSCI World HealthC Eq&Su	-	3.0

s5lststx index

S&P 500 LifeSciToolSvc

-

10.2

Source: Bloomberg, Mirae Asset Daewoo Research

Mirae Asset Daewoo's 3Q18 sector reports

Table 4. Mirae Asset Daewoo's 3Q18 MedTech sector analysis reports

Date	Report title	Link
Jul. 20	Takeaways from latest regulatory reform and industry support measures	http://bitly.kr/BgJE
Aug. 24	Global trend insights: Collaborations between genetics companies and big pharma	http://bitly.kr/PcvM
Aug. 30	Colon cancer screening test wins key MFDS approval	http://bitly.kr/9okk
Sep. 14	Apple Watch Series 4 and its implications for the healthcare wearables market	http://bitly.kr/8Tcs

Source: Bloomberg, Mirae Asset Daewoo Research

Top picks and stocks to watch

Dentium (145720 KS/Buy) Classic growth play

- 3Q18 preview: Revenue to be in line with consensus
- Robust growth driven by exports and stable margins
- Our top MedTech pick; maintain Buy and TP of W114,000

Vieworks (100120 KQ/Buy) Ready for renewed growth

- 3Q18 preview: Earnings to come in well ahead of consensus
- Prospects of growth are slowly emerging
- Upgrade to Buy and raise TP to W43,000

Osstem Implant (048260 KQ/Buy) Largest beneficiary of lower implant co-payment rates

- 3Q18 preview: Revenue to reach record high, in line with consensus
- Asia's no. 1 dental implant supplier; operating leverage effects to materialize in 2H18
- Maintain Buy and TP of W64,000

InBody (041830 KQ/Buy) Sound top-line growth, excluding InBody Band

- 3Q18 preview: Revenue to come in line with market consensus
- Pursuing a direct sales strategy for overseas expansion
- Maintain Buy and TP of W37,000

Rayence (228850 KQ/Buy) Margin improvement driven by growing revenue contribution from CMOS

- 3Q18 preview: Earnings to meet the consensus
- Successful revenue diversification and margin recovery
- Maintain Buy and TP of W26,000

Vatech (043150 KQ/Buy) Focus on historically low valuation

- 3Q18 preview: Revenue to meet the consensus
- Developed market-led growth and diversification for long-term growth
- Maintain Buy, but cut TP to W43,000

i-SENS (099190 KQ/Buy) Operating leverage to materialize after 4Q18

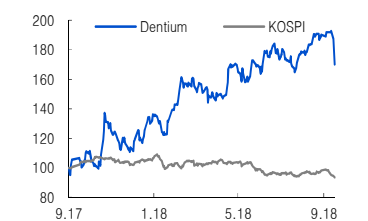
- 3Q18 preview: Top line to meet our expectations
- 2018 will be marked by fundamental enhancements for portfolio expansion
- Maintain Buy, but lower TP to W29,000

Dentium (145720 KS)

Classic growth play

MedTech

(Maintain)	Buy		
Target Price (12M, W)	114,000		
Share Price (10/10/18, W)	89,200		
Expected Return	28%		
OP (18F, Wbn)	48		
Consensus OP (18F, Wbn)	49		
EPS Growth (18F, %)	35.4		
Market EPS Growth (18F, %)	13.9		
P/E (18F, x)	24.3		
Market P/E (18F, x)	8.8		
KOSPI	2,228.61		
Market Cap (Wbn)	987		
Shares Outstanding (mn)	11		
Free Float (%)	55.3		
Foreign Ownership (%)	30.2		
Beta (12M)	0.82		
52-Week Low	52,200		
52-Week High	101,000		
(%)	1M	6M	12M
Absolute	-10.7	10.1	59.6
Relative	-8.3	21.1	74.3



[MedTech/IT small-cap]

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3Q18 preview: Revenue to be in line with consensus

For 3Q18, we forecast Dentium to post revenue of W44.7bn (+15.2% YoY), in line with the consensus. We estimate that overseas revenue increased 24.2% YoY, driving overall top-line growth. In particular, we believe the company continued to enjoy robust growth (+40% YoY) in China. Domestic revenue, on the other hand, likely fell by 5% YoY. We expect operating profit of W11.8bn (+12.3% YoY; OP margin of 26.4%), slightly below the consensus.

Robust growth driven by exports and stable margins

1) Strong overseas growth to continue, led by China: Armed with a decade of clinical data, we believe Dentium will continue to enjoy strong growth overseas in 2018 (forecast: +33.2% YoY), driven by China (forecast: +46.5% YoY). We expect long-term growth to be supported by the new China factory (annual capacity of 300,000 fixtures), which should receive manufacturing certification in 4Q18. The establishment of new overseas subsidiaries (Iran, Turkey, Vietnam, etc.) should also expand and strengthen the company's position overseas.

2) Poised to benefit from domestic policy: The domestic business, which has lately been slowing, should benefit from the dental implant co-payment rate cut in July (from 50% to 30%).

3) High margin structure: For the dental implant industry, one of the biggest factors determining margins is sales strategy. A higher percentage of direct sales leads to greater fixed costs and, hence, lower margins. Dentium relies on both direct sales and dealers. Looking ahead, the company should see operating leverage effects from top-line growth, backed by low fixed costs and limited cost increases.

Our top MedTech pick; maintain Buy and TP of W114,000

We maintain our Buy call and target price of W114,000 on Dentium. Dentium has undergone a continuous re-rating (from 12-month forward P/E of 11x to 21.5x) since its IPO, but is still trading at a discount to global peers (24.9x). At a time when market volatility is increasing, we believe Dentium will attract increasing attention, given its growth potential (three-year revenue CAGR of 22%), profitability (2018-20F average OP margin of 26.7%), and attractive valuation.

FY (12)	12/15	12/16	12/17	12/18F	12/19F	12/20F
Revenue (Wbn)	95	120	151	182	221	273
OP (Wbn)	17	29	41	48	59	73
OP margin (%)	17.9	24.2	27.2	26.4	26.7	26.7
NP (Wbn)	14	20	30	41	48	59
EPS (W)	1,308	1,788	2,716	3,677	4,301	5,368
ROE (%)	32.4	33.7	26.0	22.3	21.1	21.3
P/E (x)	-	-	22.9	24.3	20.7	16.6
P/B (x)	-	-	3.8	4.4	3.7	3.0
Dividend yield (%)	-	-	0.2	0.2	0.2	0.2

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Daewoo Research estimates

Table 5. 3Q18 preview

(Wbn, %, %p)

	3Q17	2Q18	3Q18F		Growth	
			Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	38.8	47.3	44.7	46.6	15.2	-5.5
Operating profit	10.5	12.8	11.8	12.8	12.3	-7.4
OP margin (%)	27.1	27.0	26.4	27.5	-0.7	-0.6
Pretax profit	11.7	14.0	11.6	12.9	-1.3	-17.2
Net profit	9.6	11.2	9.4	10.2	-1.9	-15.9

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

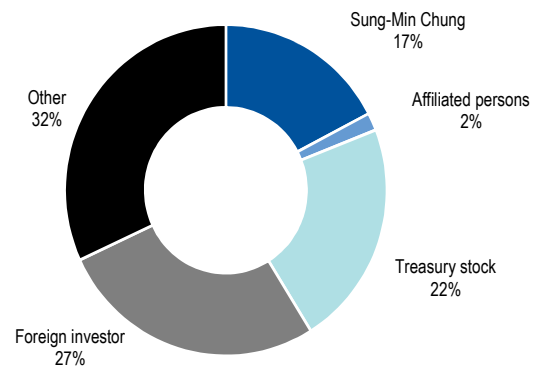
Table 6. Quarterly and annual earnings

(Wbn, %)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18F	4Q18F	2017	2018F	2019F
Revenue	32.0	40.2	38.8	39.6	40.9	47.3	44.7	48.7	150.6	181.6	221.4
FP-DR	14.3	13.3	11.9	12.5	13.4	11.4	11.3	13.8	52.1	49.9	52.0
Industrial cameras	7.5	12.6	12.9	14.1	13.2	18.5	18.1	19.3	47.1	69.1	94.3
Other	3.4	3.7	4.1	4.2	2.2	2.6	2.9	2.9	15.5	10.6	10.0
Operating profit	0.5	3.6	3.0	2.8	3.4	5.9	3.2	3.4	9.8	15.9	19.1
Pretax profit	6.2	7.0	6.9	6.1	8.6	9.1	9.2	9.3	26.1	36.1	46.0
Net profit	8.5	10.9	10.5	11.1	10.5	12.8	11.8	13.3	41.1	48.3	59.3
OP margin (%)	5.3	12.7	11.7	6.1	11.5	14.0	11.6	13.0	35.9	50.1	58.6
Pretax margin (%)	3.7	11.3	9.6	5.5	9.5	11.2	9.4	10.6	30.1	40.7	47.6
Net margin (%)	26.7	27.2	27.1	28.0	25.7	27.0	26.4	27.2	27.3	26.6	26.8
Revenue	16.6	31.6	30.3	15.5	28.1	29.6	25.9	26.7	23.8	27.6	26.5
FP-DR	11.7	28.2	25.0	13.9	23.3	23.7	21.2	21.9	20.0	22.4	21.5

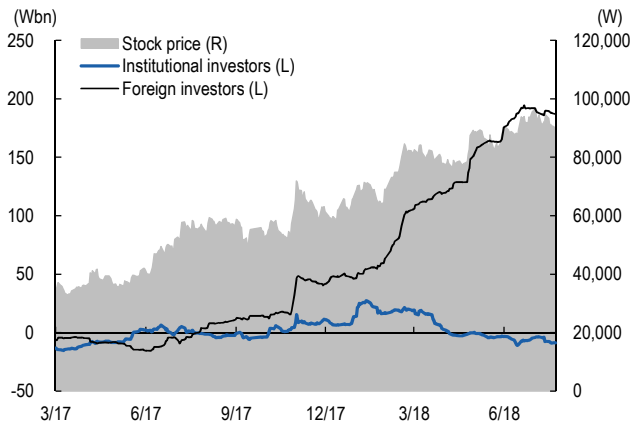
Source: Company data, Mirae Asset Daewoo Research estimates

Figure 3. Ownership breakdown



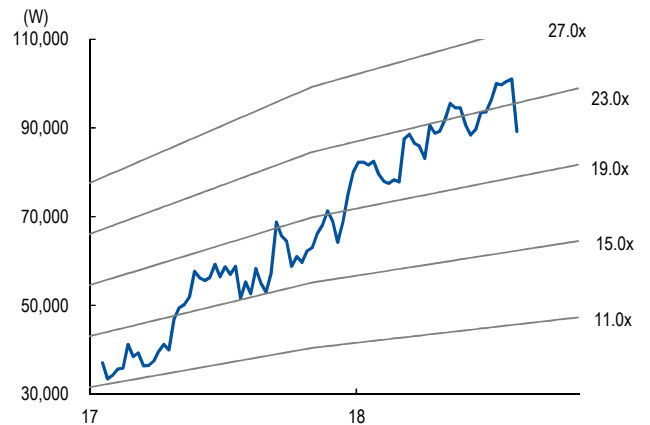
Source: Mirae Asset Daewoo Research

Figure 4. Institutional and foreign net buying vs. share price



Source: Mirae Asset Daewoo Research

Figure 5. P/E band chart



Source: Mirae Asset Daewoo Research

Table 7. Global peer valuation

Companies	Market cap	OP margin (%)			P/E (x)			P/B (x)			ROE (%)			EV/EBITDA (x)		
		17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F
Straumann	12,100	25.5	25.4	26.2	39.8	36.8	30.2	9.7	8.3	6.9	30.1	24.1	24.5	33.2	26.7	22.8
Zimmer Biomet	29,347	10.3	28.0	28.0	24.2	16.6	16.0	2.1	2.0	1.9	15.1	13.5	12.4	17.3	12.8	12.5
Dentsply Sirona	9,033	-39.1	15.7	16.4	18.6	17.0	15.2	1.5	1.3	1.4	-25.8	8.1	8.0	-	12.9	11.4
Henry Schein	15,277	6.9	6.7	6.8	23.6	21.3	19.8	4.6	3.9	3.4	14.1	20.4	19.6	12.7	14.2	14.4
Align Technology	31,122	24.0	24.5	25.0	73.0	68.3	54.5	22.5	20.1	16.1	25.7	31.7	31.4	56.4	50.3	38.0
Danaher	84,872	16.5	20.8	21.5	29.9	23.7	22.0	2.7	2.6	2.4	10.3	11.2	10.8	17.2	17.8	16.5
Osstem Implant	682	5.5	7.1	9.6	83.5	30.8	21.3	6.1	4.3	3.6	9.3	18.1	21.7	28.5	16.5	10.8
DIO Implant	451	25.3	25.7	27.4	53.9	20.8	17.2	4.0	2.9	2.5	8.9	17.1	17.5	20.2	15.4	12.1
Dentium	987	27.2	26.4	26.7	22.9	24.3	20.7	3.8	4.4	3.7	26.0	22.3	21.1	15.9	18.7	14.9
Average		11.3	20.0	20.8	41.0	28.8	24.1	6.3	5.5	4.6	12.6	18.5	18.6	25.2	20.6	17.0

Source: Mirae Asset Daewoo Research estimates

Dentium (145720 KS/Buy/TP: W114,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	151	182	221	273
Cost of Sales	44	53	65	81
Gross Profit	107	129	156	192
SG&A Expenses	66	81	97	119
Operating Profit (Adj)	41	48	59	73
Operating Profit	41	48	59	73
Non-Operating Profit	-5	2	0	0
Net Financial Income	0	-1	-1	0
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	36	50	59	73
Income Tax	6	9	11	13
Profit from Continuing Operations	30	41	48	60
Profit from Discontinued Operations	0	0	0	0
Net Profit	30	41	48	60
Controlling Interests	30	41	48	59
Non-Controlling Interests	0	0	0	1
Total Comprehensive Profit	29	41	48	60
Controlling Interests	29	41	48	60
Non-Controlling Interests	0	0	0	0
EBITDA	46	55	66	80
FCF (Free Cash Flow)	-51	-2	43	52
EBITDA Margin (%)	30.5	30.2	29.9	29.3
Operating Profit Margin (%)	27.2	26.4	26.7	26.7
Net Profit Margin (%)	19.9	22.5	21.7	21.6

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	22	38	43	52
Net Profit	30	41	48	60
Non-Cash Income and Expense	16	17	18	20
Depreciation	4	6	7	6
Amortization	1	1	0	0
Others	11	10	11	14
Chg in Working Capital	-17	5	-12	-14
Chg in AR & Other Receivables	-12	-3	-15	-17
Chg in Inventories	-13	-8	-10	-11
Chg in AP & Other Payables	5	0	2	2
Income Tax Paid	-7	-24	-11	-13
Cash Flows from Inv Activities	-74	-41	-1	-1
Chg in PP&E	-72	-40	0	0
Chg in Intangible Assets	-1	0	0	0
Chg in Financial Assets	-1	-1	-1	-1
Others	0	0	0	0
Cash Flows from Fin Activities	96	39	-1	-1
Chg in Financial Liabilities	20	40	0	0
Chg in Equity	45	0	0	0
Dividends Paid	-1	0	-1	-1
Others	32	-1	0	0
Increase (Decrease) in Cash	44	36	41	50
Beginning Balance	9	53	89	131
Ending Balance	53	89	131	181

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	149	207	276	357
Cash and Cash Equivalents	53	89	131	181
AR & Other Receivables	57	70	86	104
Inventories	35	43	53	64
Other Current Assets	4	5	6	8
Non-Current Assets	162	196	189	183
Investments in Associates	0	0	0	0
Property, Plant and Equipment	150	185	178	172
Intangible Assets	2	1	1	0
Total Assets	311	404	465	540
Current Liabilities	97	112	126	142
AP & Other Payables	10	12	15	18
Short-Term Financial Liabilities	48	51	52	52
Other Current Liabilities	39	49	59	72
Non-Current Liabilities	51	88	88	89
Long-Term Financial Liabilities	50	86	86	86
Other Non-Current Liabilities	1	2	2	3
Total Liabilities	148	200	214	231
Controlling Interests	161	203	250	307
Capital Stock	6	6	6	6
Capital Surplus	49	49	49	49
Retained Earnings	127	168	214	272
Non-Controlling Interests	1	1	1	2
Stockholders' Equity	162	204	251	309

Forecasts/Valuations (Summarized)

	12/17	12/18F	12/19F	12/20F
P/E (x)	22.9	24.3	20.7	16.6
P/CF (x)	14.9	17.1	14.9	12.4
P/B (x)	3.8	4.4	3.7	3.0
EV/EBITDA (x)	15.9	18.7	14.9	11.8
EPS (W)	2,716	3,677	4,301	5,368
CFPS (W)	4,187	5,219	5,998	7,189
BPS (W)	16,343	20,060	24,244	29,495
DPS (W)	150	150	150	150
Payout ratio (%)	4.3	3.2	2.7	2.2
Dividend Yield (%)	0.2	0.2	0.2	0.2
Revenue Growth (%)	25.8	20.5	21.4	23.5
EBITDA Growth (%)	43.8	19.6	20.0	21.2
Operating Profit Growth (%)	41.4	17.1	22.9	23.7
EPS Growth (%)	51.9	35.4	17.0	24.8
Accounts Receivable Turnover (x)	3.0	3.0	3.0	3.1
Inventory Turnover (x)	5.0	4.7	4.6	4.7
Accounts Payable Turnover (x)	8.0	8.2	8.3	8.4
ROA (%)	12.2	11.5	11.1	11.9
ROE (%)	26.0	22.3	21.1	21.3
ROIC (%)	19.9	17.1	19.0	22.6
Liability to Equity Ratio (%)	91.3	98.0	85.4	74.5
Current Ratio (%)	153.6	185.3	219.1	251.8
Net Debt to Equity Ratio (%)	25.9	22.1	1.3	-15.4
Interest Coverage Ratio (x)	97.0	28.0	27.0	33.4

Vieworks (100120 KQ)

Ready for renewed growth

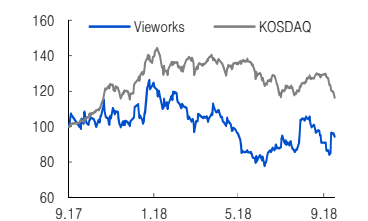
MedTech

(Upgrade)	Buy
Target Price (12M, W)	▲ 43,000
Share Price (10/10/18, W)	34,750
Expected Return	24%

OP (18F, Wbn)	22
Consensus OP (18F, Wbn)	19
EPS Growth (18F, %)	2.8
Market EPS Growth (18F, %)	13.9
P/E (18F, x)	17.2
Market P/E (18F, x)	8.8
KOSDAQ	747.50

Market Cap (Wbn)	348
Shares Outstanding (mn)	10
Free Float (%)	70.1
Foreign Ownership (%)	35.0
Beta (12M)	0.52
52-Week Low	28,600
52-Week High	46,450

(%)	1M	6M	12M
Absolute	-6.6	-10.8	-5.6
Relative	2.0	4.7	-17.3



3Q18 preview: Earnings to come in well ahead of consensus

For 3Q18, we forecast Vieworks to deliver revenue of W32.7bn (+17.6% YoY), far above the market consensus. We believe top-line growth was robust across the board, at 10.6% YoY (low base effects) for flat-panel digital radiography (FP-DR), 20.8% YoY for industrial vision systems, and 19.9% YoY for RF detectors. We look for operating profit of W6.5bn (-3.7% YoY; OP margin of 19.9%), also well above the market consensus. Given the company's low percentage of fixed costs, we could see operating leverage effects drive further upside to OP margin.

Prospects for growth slowly emerging

1) Medical detectors (FP-DR): The global FP-DR market's game of chicken appears to be nearing an end. The OP margin of the market's no. 1 supplier (which drove ASP lower) has collapsed, going from 16.8% in 1Q16 to 3.8% in 2Q18, and many low-end Chinese suppliers are now being forced out of the market. Heightened trade disputes between the US and China have led to higher tariffs on US exports to China, adding to the pressures on many global companies.

2) Industrial vision systems: The impact of unfavorable comparisons caused by panel makers' OLED capex cycle (which began in 2H16) is finally dissipating. Because the business is based on orders, revenue tends to be volatile. That said, it is encouraging that a major earnings overhang has been removed. We believe that time delay integration (TDI) line scan cameras, the company's next growth driver, are also slowly beginning to generate revenue growth.

3) RF detectors: Thin-film transistor (TFT)-based RF detectors are considered one of the company's new growth engines. While they can be used for a number of applications, we think the high-growth dental sector, especially in China, holds the most promise. We believe that Vieworks will focus on quality and price competitiveness in order to penetrate the dental segment (which is dominated by CMOS detectors).

Upgrade to Buy and raise TP to W43,000

We raise our target price on Vieworks to W43,000 (from W37,500), reflecting upward earnings revisions. With our new target price implying 24% upside potential, we upgrade our rating to Buy.

Vieworks' stock currently trades at a 12-month forward P/E of 14.8x, an historical low and discount to its peers (17.4x). The unfavorable base effects that have long plagued the company began to recede in 3Q18, raising prospects of renewed growth. Given the company's margin structure, which has a low exposure to fixed costs, we think that as top-line growth gains momentum, OP margin will recover more sharply.

[MedTech/IT small-cap]

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FY (12)	12/15	12/16	12/17	12/18F	12/19F	12/20F
Revenue (Wbn)	93	117	123	128	142	157
OP (Wbn)	18	30	29	22	30	34
OP margin (%)	19.4	25.6	23.6	17.2	21.1	21.7
NP (Wbn)	16	27	20	20	25	28
EPS (W)	1,589	2,697	1,963	2,018	2,456	2,761
ROE (%)	20.5	27.7	16.6	15.1	16.1	15.6
P/E (x)	28.0	22.2	20.8	17.2	14.1	12.6
P/B (x)	5.2	5.4	3.2	2.4	2.1	1.8
Dividend yield (%)	0.2	0.3	0.5	0.6	0.6	0.6

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
 Source: Company data, Mirae Asset Daewoo Research estimates

Table 8. 3Q18 preview

(Wbn, %, %p)

	3Q17	2Q18	3Q18F		Growth	
			Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	27.8	30.7	32.7	29.0	17.6	6.5
Operating profit	6.7	4.4	6.5	4.9	-3.7	46.5
OP margin (%)	24.2	14.4	19.9	16.8	-4.4	5.4
Pretax profit	7.1	7.1	6.4	4.5	-10.5	-10.0
Net profit	5.3	6.4	4.9	0.0	-7.0	-22.7

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

Table 9. Earnings forecast revisions

(Wbn, W, %)

	Previous		Revised		% chg.		Notes
	18F	19F	18F	19F	18F	19F	
Revenue	122.9	135.2	128.2	141.8	4.3	4.9	
Operating profit	18.5	28.4	22.4	29.9	21.1	5.1	
Pretax profit	21.0	28.9	24.6	29.9	17.2	3.4	
Net profit	17.4	23.8	20.2	24.6	16.0	3.4	
EPS (W)	1,740	2,376	2,018	2,456	16.0	3.4	

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: Mirae Asset Daewoo Research estimates

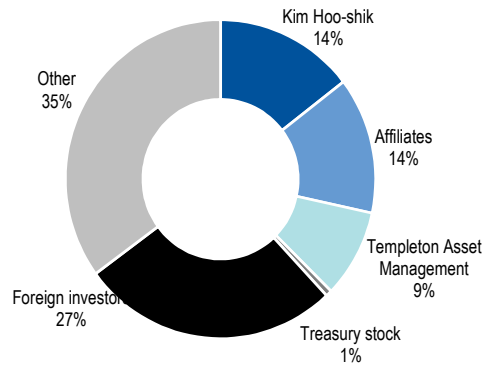
Table 10. Quarterly and annual earnings

(Wbn, %)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18F	4Q18F	2017	2018F	2019F
Revenue	32.2	31.7	27.8	31.7	29.4	30.7	32.7	35.5	123.5	128.2	141.8
FP-DR	14.9	16.2	13.3	18.5	16.5	13.7	14.6	20.3	62.8	65.1	68.6
Industrial cameras	15.1	13.6	12.7	11.0	10.3	14.2	15.4	12.3	52.5	52.2	57.7
Other	2.2	1.9	1.7	2.2	2.6	2.7	2.7	2.9	8.2	10.8	15.6
Operating profit	7.6	7.5	6.7	6.8	4.1	4.4	6.5	7.4	28.6	22.4	29.9
Pretax profit	4.0	8.4	7.1	3.7	3.8	7.1	6.4	7.4	23.2	24.6	29.9
Net profit	3.1	7.2	5.3	4.0	3.2	6.4	4.9	5.7	19.6	20.2	24.6
OP margin (%)	23.7	23.5	24.2	21.4	13.9	14.4	19.9	20.7	23.2	17.4	21.1
Pretax margin (%)	12.3	26.6	25.7	11.7	12.9	23.1	19.5	20.7	18.8	19.2	21.1
Net margin (%)	9.6	22.7	19.1	12.6	10.9	20.8	15.0	16.0	15.9	15.7	17.3

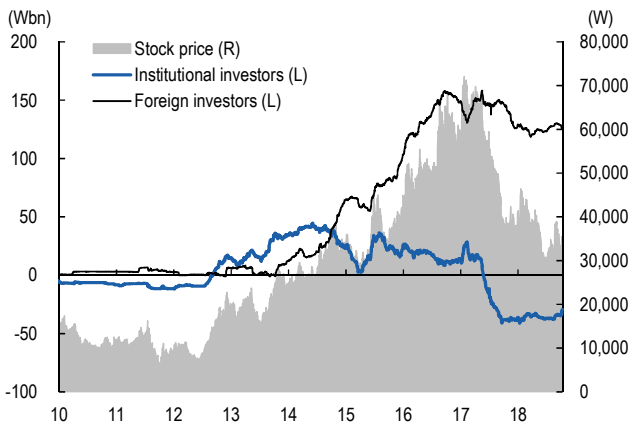
Source: Mirae Asset Daewoo Research estimates

Figure 6. Ownership breakdown



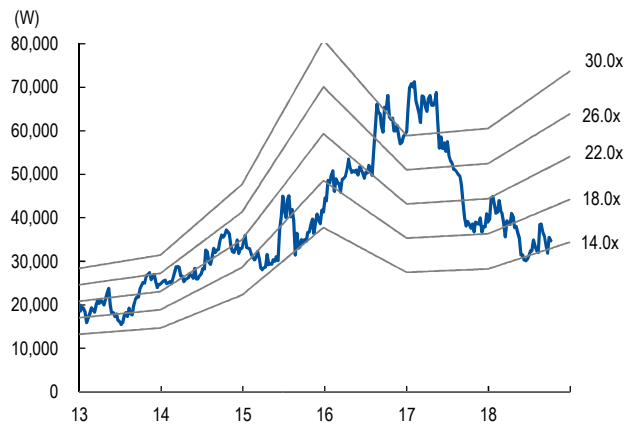
Source: Mirae Asset Daewoo Research

Figure 7. Institutional and foreign net buying vs. share price



Source: Mirae Asset Daewoo Research

Figure 8. P/E band chart



Source: Mirae Asset Daewoo Research

Table 11. Global peer valuation

Companies	Market cap	OP margin (%)			P/E (x)			P/B (x)			ROE (%)			EV/EBITDA (x)		
		17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F
Canon	47,421	8.1	9.2	9.2	15.2	14.2	14.3	1.4	1.3	1.3	9.0	9.3	8.9	6.8	7.8	7.9
Varex Imaging	1,159	12.0	10.5	13.2	21.2	20.3	16.5	2.4	2.3	2.0	10.8	12.6	11.4	17.0	13.1	11.4
Teledyne Technologies	9,690	12.9	14.0	14.9	31.5	28.7	27.2	4.1	-	-	15.1	-	-	15.9	18.0	17.1
Viewworks	348	23.6	17.2	21.1	17.7	17.2	14.1	3.2	2.4	2.1	16.6	15.1	16.1	11.2	11.8	8.6
Rayence	308	15.9	19.8	20.0	21.0	15.0	13.4	1.7	1.5	1.4	8.5	11.2	11.5	9.5	7.2	5.9
Average		14.5	14.1	15.7	21.3	19.1	17.1	2.5	1.9	1.7	12.0	12.1	12.0	12.1	11.6	10.2

Source: Mirae Asset Daewoo Research estimates

Vieworks (100120 KQ/Buy/TP: W43,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	123	128	142	157
Cost of Sales	61	65	70	77
Gross Profit	62	63	72	80
SG&A Expenses	33	40	42	46
Operating Profit (Adj)	29	22	30	34
Operating Profit	29	22	30	34
Non-Operating Profit	-6	3	0	0
Net Financial Income	0	0	0	0
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	23	25	30	34
Income Tax	4	4	5	6
Profit from Continuing Operations	20	20	24	28
Profit from Discontinued Operations	0	0	0	0
Net Profit	20	20	24	28
Controlling Interests	20	20	25	28
Non-Controlling Interests	0	0	0	0
Total Comprehensive Profit	20	20	24	28
Controlling Interests	20	20	25	28
Non-Controlling Interests	0	0	0	0
EBITDA	32	25	32	36
FCF (Free Cash Flow)	16	11	21	24
EBITDA Margin (%)	26.0	19.5	22.5	22.9
Operating Profit Margin (%)	23.6	17.2	21.1	21.7
Net Profit Margin (%)	16.3	15.6	17.6	17.8

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	19	17	21	24
Net Profit	20	20	24	28
Non-Cash Income and Expense	13	6	8	8
Depreciation	2	2	2	2
Amortization	2	1	0	0
Others	9	3	6	6
Chg in Working Capital	-6	-4	-6	-6
Chg in AR & Other Receivables	2	1	-3	-3
Chg in Inventories	1	-1	-3	-3
Chg in AP & Other Payables	-2	-4	0	0
Income Tax Paid	-7	-5	-5	-6
Cash Flows from Inv Activities	-8	-11	-2	-2
Chg in PP&E	-3	-6	0	0
Chg in Intangible Assets	-2	0	0	0
Chg in Financial Assets	-4	-1	-2	-2
Others	1	-4	0	0
Cash Flows from Fin Activities	-5	-4	-2	-2
Chg in Financial Liabilities	-1	1	0	0
Chg in Equity	0	0	0	0
Dividends Paid	-2	-4	-2	-2
Others	-2	-1	0	0
Increase (Decrease) in Cash	3	3	17	21
Beginning Balance	35	37	41	58
Ending Balance	37	41	58	78

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	99	109	135	164
Cash and Cash Equivalents	37	41	58	78
AR & Other Receivables	22	25	28	31
Inventories	22	24	27	30
Other Current Assets	18	19	22	25
Non-Current Assets	39	45	43	41
Investments in Associates	0	0	0	0
Property, Plant and Equipment	32	36	34	32
Intangible Assets	3	6	6	5
Total Assets	138	155	179	206
Current Liabilities	11	13	14	15
AP & Other Payables	4	4	5	5
Short-Term Financial Liabilities	0	1	1	1
Other Current Liabilities	7	8	8	9
Non-Current Liabilities	1	1	1	1
Long-Term Financial Liabilities	0	0	0	0
Other Non-Current Liabilities	1	1	1	1
Total Liabilities	12	13	15	17
Controlling Interests	126	141	164	189
Capital Stock	5	5	5	5
Capital Surplus	10	10	10	10
Retained Earnings	114	129	152	177
Non-Controlling Interests	0	0	0	0
Stockholders' Equity	126	141	164	189

Forecasts/Valuations (Summarized)

	12/17	12/18F	12/19F	12/20F
P/E (x)	20.8	17.2	14.1	12.6
P/CF (x)	12.6	13.2	10.8	9.7
P/B (x)	3.2	2.4	2.1	1.8
EV/EBITDA (x)	11.2	11.8	8.6	7.2
EPS (W)	1,963	2,018	2,456	2,761
CFPS (W)	3,234	2,639	3,220	3,567
BPS (W)	12,924	14,463	16,721	19,284
DPS (W)	200	200	200	200
Payout ratio (%)	10.1	9.8	8.1	7.2
Dividend Yield (%)	0.5	0.6	0.6	0.6
Revenue Growth (%)	5.1	4.1	10.9	10.6
EBITDA Growth (%)	-5.9	-21.9	28.0	12.5
Operating Profit Growth (%)	-3.3	-24.1	36.4	13.3
EPS Growth (%)	-27.2	2.8	21.7	12.4
Accounts Receivable Turnover (x)	5.3	5.5	5.4	5.3
Inventory Turnover (x)	5.6	5.6	5.5	5.4
Accounts Payable Turnover (x)	18.0	24.2	22.8	22.5
ROA (%)	14.7	13.8	14.7	14.3
ROE (%)	16.6	15.1	16.1	15.6
ROIC (%)	32.7	22.5	27.0	29.2
Liability to Equity Ratio (%)	9.2	9.5	9.2	8.8
Current Ratio (%)	918.0	871.6	963.2	1,060.7
Net Debt to Equity Ratio (%)	-37.2	-36.0	-42.4	-48.2
Interest Coverage Ratio (x)	2,866.9	477.8	645.2	724.9

Osstem Implant (048260 KQ)

Largest beneficiary of lower implant co-payment rates

MedTech

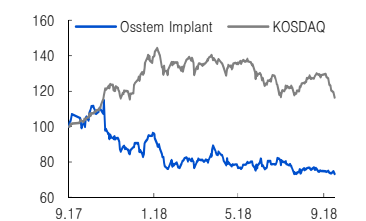
(Maintain)	Buy
Target Price (12M, W)	64,000
Share Price (10/10/18, W)	47,750
Expected Return	34%

OP (18F, Wbn)	32
Consensus OP (18F, Wbn)	33

EPS Growth (18F, %)	118.8
Market EPS Growth (18F, %)	13.9
P/E (18F, x)	30.8
Market P/E (18F, x)	8.8
KOSDAQ	747.50

Market Cap (Wbn)	682
Shares Outstanding (mn)	14
Free Float (%)	76.6
Foreign Ownership (%)	41.4
Beta (12M)	0.48
52-Week Low	47,700
52-Week High	74,900

(%)	1M	6M	12M
Absolute	-4.9	-9.4	-30.2
Relative	3.9	6.3	-38.9



[MedTech/IT small-cap]

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3Q18 preview: Revenue to reach record high, in line with consensus

For 3Q18, we anticipate revenue of W114.3bn (+14.8% YoY) for Osstem Implant, in line with the consensus. We estimate that overseas revenue expanded 22.7% YoY, driving overall growth. Domestic revenue, on the other hand, likely grew just 6.1% YoY. We look for operating profit of W8.1bn (+81.7% YoY; OP margin of 7.1%), below the market consensus.

Asia's no. 1 dental implant supplier; operating leverage effects to materialize in 2H18

1) Tighter grip on Asia: Since 2006, Osstem Implant has generated 1.1 to 2.5 times the revenue of global leader Straumann in Asia (primarily Korea and China). In 2018, we expect Osstem Implant's Asia revenue to expand by more than 10% YoY (+14.5% YoY, excluding Korea). Overall, we see robust top-line growth continuing in 2018, led by overseas markets, especially Asia.

2) Poised to become total dental solutions provider: A notable trend in the global dental equipment market is that many companies are expanding across the value chain to provide total dental solutions. Osstem Implant already generates 28% of its revenue from products other than dental implants. In the same way that it expanded its dental chair business into overseas markets, the company is likely to take its digital imaging equipment business overseas once it establishes a stable footing domestically (2H18). That said, higher R&D expenses related to dental equipment are likely to limit the extent of OP margin improvement to 1.6% in 2018.

Maintain Buy and TP of W64,000

We maintain our Buy rating and target price of W64,000 on Osstem Implant. Given that the company's business strategy involves heavy investments in fixed assets, we believe that share momentum will depend on confirmation of operating leverage effects, which hinge on: 1) cost stabilization; and 2) steady top-line growth. We do not see significant downside to top-line growth. Accordingly, the pace of cost stabilization is the key variable. Since the earnings shock in 4Q17, Osstem Implant has introduced a fairly conservative provisioning policy and tightened control over operations, which has helped lower product return rates. As a result, domestic implant revenue increased 20.5% YoY in 1H18. We believe the one-off expense burden has been mostly removed.

The 2H18 outlook is positive, as: 1) overseas subsidiaries should continue on a solid growth path; 2) Osstem Implant will likely benefit the most from the lower dental implant co-payment rate, as it holds the largest share of the Korean market; and 3) operating leverage effects are likely to materialize. The stock is historically undervalued, trading at a 12-month forward P/E of 23x (versus 24.9x for global peers).

FY (12)	12/15	12/16	12/17	12/18F	12/19F	12/20F
Revenue (Wbn)	278	345	398	451	519	597
OP (Wbn)	33	34	22	32	50	64
OP margin (%)	11.9	9.9	5.5	7.1	9.6	10.7
NP (Wbn)	18	24	10	22	32	42
EPS (W)	1,259	1,645	708	1,548	2,237	2,930
ROE (%)	18.1	22.1	9.3	18.1	21.7	22.7
P/E (x)	64.4	36.9	83.5	30.8	21.3	16.3
P/B (x)	10.6	6.7	6.1	4.3	3.6	3.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Daewoo Research estimates

Table 12. 3Q18 preview

(Wbn, %, %p)

	3Q17	2Q18	3Q18F		Growth	
			Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	99.6	112.7	114.3	115.3	14.8	1.5
Operating profit	4.4	7.3	8.1	9.3	81.7	11.5
OP margin (%)	4.5	6.4	7.1	8.1	2.6	0.6
Pretax profit	4.3	7.3	7.0	7.2	63.6	-4.4
Net profit	5.3	4.3	5.6	6.4	5.4	29.8

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

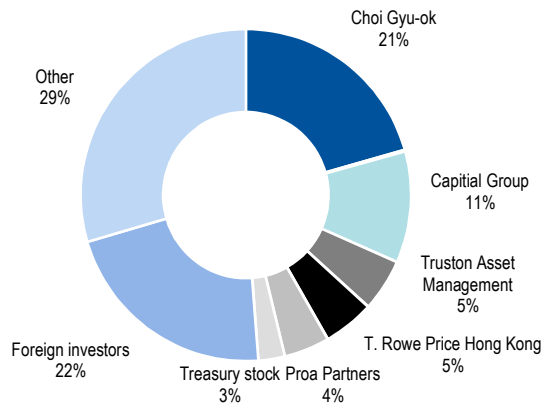
Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

Table 15. Quarterly and annual earnings

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18F	4Q18F	2017	2018F	2019F
Revenue	93.5	101.0	99.6	103.7	108.5	112.7	114.3	115.9	397.8	451.4	518.7
Domestic	46.4	48.1	47.6	49.7	56.3	51.7	50.5	51.5	191.8	210.0	229.0
China	14.6	18.3	20.2	20.6	14.9	22.6	24.9	25.6	73.7	88.1	107.5
North America	14.9	15.1	15.9	15.2	15.9	19.1	19.3	17.6	61.2	71.9	84.4
Other	17.5	19.5	15.8	18.3	21.3	19.2	19.7	21.2	71.2	81.4	97.7
Operating profit	7.9	9.6	4.4	-0.3	6.9	7.3	8.1	9.7	21.7	31.9	49.8
Domestic	9.6	11.0	9.1	11.8	10.7	12.1	11.1	12.1	41.5	46.0	56.4
China	-2.3	-3.1	-2.0	-9.0	-2.6	-2.3	-2.1	-2.2	-16.3	-9.2	-8.9
North America	0.4	1.3	1.2	-1.2	-0.3	0.6	0.8	0.5	1.7	1.7	4.9
Other	0.1	0.5	-3.8	-2.0	-0.9	-3.2	-1.8	-0.8	-5.2	-6.7	-2.5
Pretax profit	-0.7	12.6	4.3	3.3	6.3	7.3	7.0	8.6	19.4	29.2	45.6
Net profit	0.0	8.0	5.3	-3.2	5.4	4.3	5.6	6.9	10.1	22.1	32.0
OP margin (%)	8.4	9.6	4.5	-0.3	6.4	6.4	7.1	8.3	5.5	7.1	9.6
Pretax margin (%)	-0.8	12.4	4.3	3.2	5.8	6.5	6.1	7.4	4.9	6.5	8.8
Net margin (%)	-0.3	7.8	4.4	-6.1	3.7	2.7	4.9	5.9	2.5	4.9	6.2

Source: Mirae Asset Daewoo Research estimates

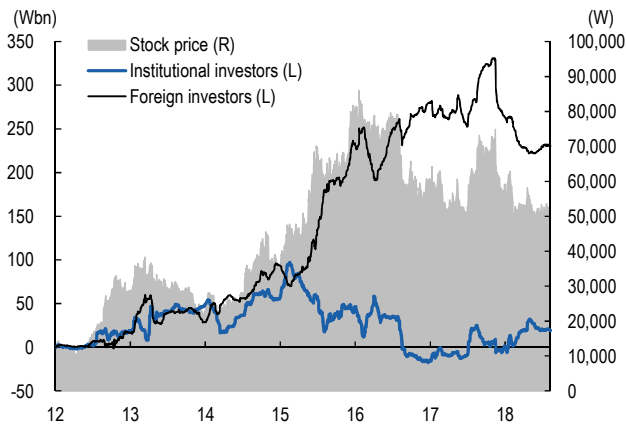
Figure 9. Ownership breakdown



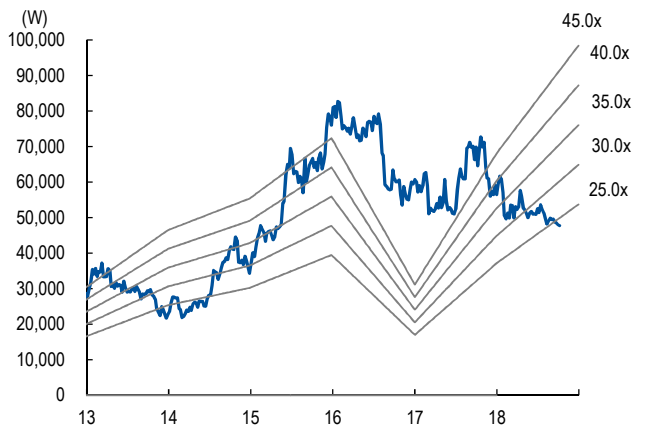
Source: Mirae Asset Daewoo Research

Figure 10. Institutional and foreign net buying vs. share price

Figure 11. P/E band chart



Source: Mirae Asset Daewoo Research



Source: Mirae Asset Daewoo Research

Table 16. Valuation comparison

Companies	Market cap (Wbn)	OP margin (%)			P/E (x)			P/B (x)			ROE (%)			EV/EBITDA (x)		
		17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F
Straumann	12,100	25.5	25.4	26.2	39.8	36.8	30.2	9.7	8.3	6.9	30.1	24.1	24.5	33.2	26.7	22.8
Zimmer Biomet	29,347	10.3	28.0	28.0	24.2	16.6	16.0	2.1	2.0	1.9	15.1	13.5	12.4	17.3	12.8	12.5
Dentsply Sirona	9,033	-39.1	15.7	16.4	18.6	17.0	15.2	1.5	1.3	1.4	-25.8	8.1	8.0	-	12.9	11.4
Henry Schein	15,277	6.9	6.7	6.8	23.6	21.3	19.8	4.6	3.9	3.4	14.1	20.4	19.6	12.7	14.2	14.4
Align Technology	31,122	24.0	24.5	25.0	73.0	68.3	54.5	22.5	20.1	16.1	25.7	31.7	31.4	56.4	50.3	38.0
Danaher	84,872	16.5	20.8	21.5	29.9	23.7	22.0	2.7	2.6	2.4	10.3	11.2	10.8	17.2	17.8	16.5
Osstem Implant	682	5.5	7.1	9.6	83.5	30.8	21.3	6.1	4.3	3.6	9.3	18.1	21.7	28.5	16.5	10.8
DIO Implant	451	25.3	25.7	27.4	53.9	20.8	17.2	4.0	2.9	2.5	8.9	17.1	17.5	20.2	15.4	12.1
Dentium	987	27.2	26.4	26.7	22.9	24.3	20.7	3.8	4.4	3.7	26.0	22.3	21.1	15.9	18.7	14.9
Average		11.3	20.0	20.8	41.0	28.8	24.1	6.3	5.5	4.6	12.6	18.5	18.6	25.2	20.6	17.0

Source: Mirae Asset Daewoo Research

Osstem Implant (048260 KQ/Buy/TP: W64,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	398	451	519	597
Cost of Sales	166	196	222	259
Gross Profit	232	255	297	338
SG&A Expenses	210	224	247	274
Operating Profit (Adj)	22	32	50	64
Operating Profit	22	32	50	64
Non-Operating Profit	-3	-3	-4	-4
Net Financial Income	-4	-4	-4	-4
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	19	29	46	60
Income Tax	14	10	14	18
Profit from Continuing Operations	6	19	32	42
Profit from Discontinued Operations	0	0	0	0
Net Profit	6	19	32	42
Controlling Interests	10	22	32	42
Non-Controlling Interests	-4	-3	0	0
Total Comprehensive Profit	6	19	32	42
Controlling Interests	10	26	43	57
Non-Controlling Interests	-4	-7	-11	-15
EBITDA	31	41	58	71
FCF (Free Cash Flow)	-40	32	52	62
EBITDA Margin (%)	7.8	9.1	11.2	11.9
Operating Profit Margin (%)	5.5	7.1	9.6	10.7
Net Profit Margin (%)	2.5	4.9	6.2	7.0

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	47	36	52	62
Net Profit	6	19	32	42
Non-Cash Income and Expense	23	29	26	29
Depreciation	7	8	7	6
Amortization	2	2	1	1
Others	14	19	18	22
Chg in Working Capital	14	-2	12	13
Chg in AR & Other Receivables	-8	-11	-11	-12
Chg in Inventories	-12	-11	-13	-13
Chg in AP & Other Payables	6	2	2	2
Income Tax Paid	-5	-8	-14	-18
Cash Flows from Inv Activities	-47	-9	-4	-4
Chg in PP&E	-75	-4	0	0
Chg in Intangible Assets	-3	-1	0	0
Chg in Financial Assets	-2	-3	-4	-4
Others	33	-1	0	0
Cash Flows from Fin Activities	36	10	0	0
Chg in Financial Liabilities	36	8	0	0
Chg in Equity	0	0	0	0
Dividends Paid	0	0	0	0
Others	0	2	0	0
Increase (Decrease) in Cash	35	40	49	58
Beginning Balance	76	111	151	200
Ending Balance	111	151	200	258

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	318	383	460	549
Cash and Cash Equivalents	111	151	200	258
AR & Other Receivables	82	92	104	116
Inventories	90	100	113	126
Other Current Assets	35	40	43	49
Non-Current Assets	237	230	222	214
Investments in Associates	3	0	0	0
Property, Plant and Equipment	190	186	180	173
Intangible Assets	14	13	11	10
Total Assets	556	613	682	763
Current Liabilities	352	393	429	468
AP & Other Payables	20	23	26	29
Short-Term Financial Liabilities	91	100	101	101
Other Current Liabilities	241	270	302	338
Non-Current Liabilities	83	82	82	83
Long-Term Financial Liabilities	78	76	76	76
Other Non-Current Liabilities	5	6	6	7
Total Liabilities	435	475	512	551
Controlling Interests	113	132	163	205
Capital Stock	7	7	7	7
Capital Surplus	56	56	56	56
Retained Earnings	85	104	136	178
Non-Controlling Interests	7	7	7	7
Stockholders' Equity	120	139	170	212

Forecasts/Valuations (Summarized)

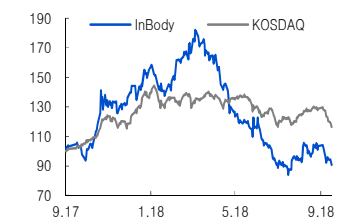
	12/17	12/18F	12/19F	12/20F
P/E (x)	83.5	30.8	21.3	16.3
P/CF (x)	29.3	14.0	11.7	9.6
P/B (x)	6.1	4.3	3.6	3.0
EV/EBITDA (x)	28.5	16.5	10.8	8.0
EPS (W)	708	1,548	2,237	2,930
CFPS (W)	2,015	3,409	4,076	4,987
BPS (W)	9,691	10,981	13,217	16,147
DPS (W)	0	0	0	0
Payout ratio (%)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
Revenue Growth (%)	15.4	13.3	15.1	15.0
EBITDA Growth (%)	-24.4	32.3	41.5	22.4
Operating Profit Growth (%)	-35.3	45.5	56.3	28.0
EPS Growth (%)	-57.0	118.6	44.5	31.0
Accounts Receivable Turnover (x)	4.7	5.2	5.3	5.5
Inventory Turnover (x)	4.7	4.7	4.9	5.0
Accounts Payable Turnover (x)	16.2	16.6	16.8	17.5
ROA (%)	1.1	3.3	4.9	5.8
ROE (%)	9.3	18.1	21.7	22.7
ROIC (%)	4.9	15.4	28.8	43.1
Liability to Equity Ratio (%)	361.6	342.5	300.2	259.5
Current Ratio (%)	90.3	97.5	107.3	117.3
Net Debt to Equity Ratio (%)	25.0	-4.1	-34.1	-56.5
Interest Coverage Ratio (x)	4.4	6.6	10.3	13.2

InBody (041830 KQ)

Sound top-line growth, excluding InBody Band

MedTech

(Maintain)	Buy		
Target Price (12M, W)	37,000		
Share Price (10/10/18, W)	25,200		
Expected Return	47%		
OP (18F, Wbn)	25		
Consensus OP (18F, Wbn)	26		
EPS Growth (18F, %)	10.1		
Market EPS Growth (18F, %)	13.9		
P/E (18F, x)	16.2		
Market P/E (18F, x)	8.8		
KOSDAQ	747.50		
Market Cap (Wbn)	345		
Shares Outstanding (mn)	14		
Free Float (%)	69.8		
Foreign Ownership (%)	21.6		
Beta (12M)	0.91		
52-Week Low	23,350		
52-Week High	50,600		
(%)	1M	6M	12M
Absolute	-5.8	-48.4	-13.4
Relative	2.9	-39.5	-24.2



[MedTech/IT small-cap]

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3Q18 preview: Revenue to come in line with market consensus

For 3Q18, we expect InBody to post revenue of W25.8bn (+5.4% YoY), in line with the consensus. We estimate that revenue grew by 13.5% YoY for professional-use InBody (including software) and 45.7% YoY for medical devices, but declined 59.1% YoY for consumer-use InBody, due to lackluster InBody Band sales. We forecast 3Q18 operating profit of W6.6bn (-5.6% YoY; OP margin of 25.6%), below the consensus.

Pursuing a direct sales strategy for overseas expansion

1) Overseas expansion strategy: InBody already derives 80% of its revenue from abroad, but overseas markets remain underpenetrated (5-30%). Given that body composition analysis is still a relatively unfamiliar concept in many countries, we think that direct sales are a more effective approach (subsidiaries account for 75% of revenue) than relying on dealers. Indeed, the company has continued to enjoy robust growth of around 20-30% annually in markets where it has successfully established subsidiaries (the US, China, and Japan). The company is also setting up subsidiaries in Europe and Asia, where we expect growth to match the levels currently seen in the company's three major markets.

2) Diversification strategy: InBody has been diversifying its business into medical devices, such as blood pressure monitors and kidney monitors (revenue mix of medical devices has increased from 6.5% in 2015 to 10.3% in 1H18). InBody's blood pressure monitor was recently validated by the European Society of Hypertension, which bodes well for overseas sales. Meanwhile, for consumer-use products (InBody Band and InBody Dial), we believe that the company will gradually expand sales by utilizing the overseas network it has established through InBody Band.

3) High-margin strategy: We believe that InBody is well-positioned to maintain high margins due to three factors: First, its key customers are businesses (hospitals, fitness centers, etc.), which exhibit less price resistance than consumers. For business customers, InBody's products can help generate additional income (e.g., personal training, medical exams, and oriental medicine prescriptions). Second, the company's products can directly measure the impedance of each body section, providing a more accurate measurement of body composition. Lastly, InBody plans to broaden its data-based services leveraging body composition data.

Maintain Buy and TP of W37,000

We maintain our Buy call and target price of W37,000 on InBody. The stock has hit a five-year low, trading at a 12-month forward P/E of 14.7x (versus a sector average of 17.1x, based on stocks under our coverage). We believe the pullback is overdone, even after considering the slowdown in growth this year, which is mainly due to weaker dealer sales (-39.9% YoY) caused by the company's direct sales expansion strategy. Subsidiary revenue growth remains robust (+25.8% YoY in 1H18), and we believe the company's growth story and earnings momentum remain intact. In our view, InBody is a growth stock and not a cyclical stock. Amid solid growth momentum, we believe that the stock's historically low valuation deserves attention.

FY (12)	12/15	12/16	12/17	12/18F	12/19F	12/20F
Revenue (Wbn)	69	80	93	101	113	131
OP (Wbn)	20	22	25	25	29	34
OP margin (%)	29.0	27.5	26.9	24.8	25.7	26.0
NP (Wbn)	17	17	19	21	24	29
EPS (W)	1,265	1,241	1,412	1,555	1,766	2,087
ROE (%)	25.5	20.1	19.4	18.4	17.7	17.7
P/E (x)	45.8	21.7	28.4	16.2	14.3	12.1
P/B (x)	10.4	4.0	5.0	2.7	2.3	1.9
Dividend yield (%)	0.1	0.4	0.3	0.5	0.5	0.5

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Daewoo Research estimates

Table 75. 3Q18 preview

(Wbn, %, %p)

	3Q17	2Q18	3Q18F		Growth	
			Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	24.4	25.2	25.8	26.6	5.4	2.2
Operating profit	7.0	6.6	6.6	7.3	-5.6	0.3
OP margin (%)	28.6	26.1	25.6	27.3	-3.0	-0.5
Pretax profit	7.4	7.0	6.6	7.5	-11.1	-5.4
Net profit	5.8	6.0	5.5	5.9	-4.7	-8.9

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

Table 16. Earnings forecast revisions

(Wbn, %)

	Previous		Revised		% chg.		Notes
	18F	19F	18F	19F	18F	19F	
Revenue	102.8	116.0	100.8	112.9	-1.9	-2.7	
Operating profit	25.7	29.6	25.0	28.9	-2.8	-2.2	
Pretax profit	26.9	30.9	25.7	29.5	-4.2	-4.5	
Net profit	22.2	25.3	21.3	24.2	-4.2	-4.5	
EPS (W)	1,624	1,849	1,555	1,766	-4.2	-4.5	

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

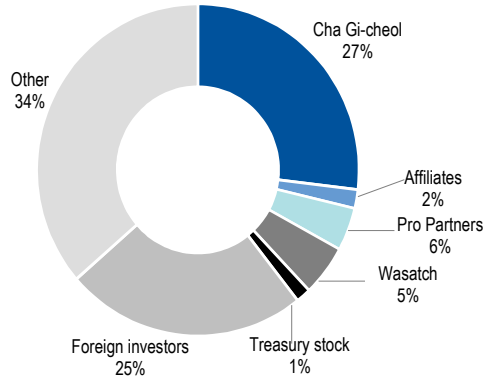
Table 17. Quarterly and annual earnings

(Wbn, %)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18F	4Q18F	2017	2018F	2019F
Revenue	19.7	22.2	24.4	26.9	21.7	25.2	25.8	28.0	93.3	100.8	112.9
Professional InBody	17.6	19.1	19.2	20.5	18.4	21.0	21.8	24.2	76.4	85.4	96.5
Home InBody	0.7	1.4	3.5	4.3	0.8	1.7	1.4	1.0	9.9	5.0	4.3
Medical devices	1.4	1.7	1.7	2.1	2.6	2.5	2.5	2.8	7.0	10.4	12.1
Operating profit	4.5	5.8	7.0	7.6	4.6	6.6	6.6	7.3	24.9	25.0	28.9
Pretax profit	3.1	6.4	7.4	6.5	4.8	7.0	6.6	7.3	23.4	25.7	29.5
Net profit	2.4	4.9	5.8	6.2	3.7	6.0	5.5	6.1	19.3	21.3	24.2
OP margin (%)	22.8	26.2	28.6	28.3	21.0	26.1	25.6	25.9	26.7	24.8	25.6
Pretax margin (%)	15.8	28.8	30.4	24.0	22.0	27.7	25.6	26.2	25.1	25.5	26.1
Net margin (%)	12.4	22.1	23.6	23.1	16.7	23.7	21.3	21.7	20.7	21.1	21.4

Source: Mirae Asset Daewoo Research estimates

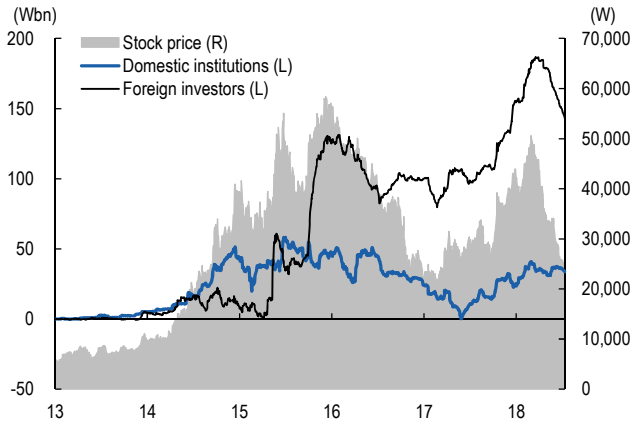
Figure 32. Ownership breakdown



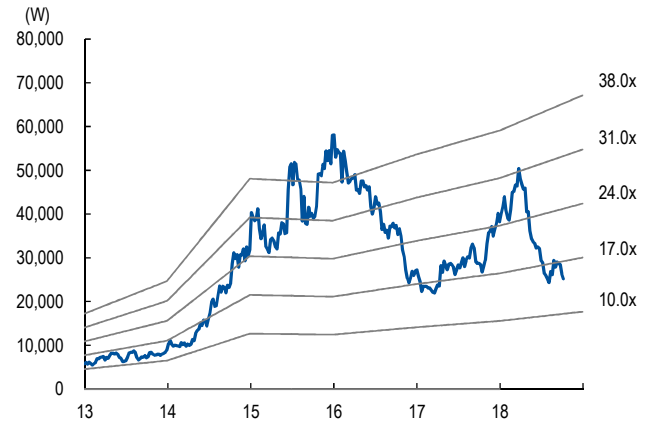
Source: Bloomberg, Mirae Asset Daewoo Research

Figure 13. Institutional and foreign net buying vs. share price

Figure 14. P/E band



Source: Bloomberg, Mirae Asset Daewoo Research



Source: Bloomberg, Mirae Asset Daewoo Research

Table 18. Valuation comparison

(Wbn)

Companies	Market cap	Companies			Companies			Companies			Companies			EV/EBITDA (x)		
		17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F
Dentium	987	27.2	26.4	26.7	22.9	24.3	20.7	3.8	4.4	3.7	26.0	22.3	21.1	15.9	18.7	14.9
InBody	345	26.9	24.8	25.7	21.7	16.2	14.3	5.0	2.7	2.3	19.4	18.4	17.7	18.7	11.6	9.4
Koh Young	1,335	21.7	19.2	20.1	42.3	31.4	26.4	6.0	5.8	4.9	16.8	21.9	20.4	22.3	24.1	18.8
i-SENS	271	14.6	13.5	15.9	22.1	15.3	10.7	2.1	1.5	1.3	10.1	10.3	13.3	12.1	9.1	6.7
Rayence	308	15.9	19.8	20.0	21.0	15.0	13.4	1.7	1.5	1.4	8.5	11.2	11.5	9.5	7.2	5.9
DIO Implant	451	25.3	25.7	27.4	53.9	20.8	17.2	4.0	2.9	2.5	8.9	17.1	17.5	20.2	15.4	12.1
Osstem Implant	682	5.5	7.1	9.6	83.5	30.8	21.3	6.1	4.3	3.6	9.3	18.1	21.7	28.5	16.5	10.8
Vieworks	348	23.6	17.2	21.1	17.7	17.2	14.1	3.2	2.4	2.1	16.6	15.1	16.1	11.2	11.8	8.6
Vatech	429	17.8	18.0	18.8	21.4	11.7	9.7	2.6	1.9	1.6	46.1	17.3	17.7	11.5	8.7	7.2
Average		19.8	19.1	20.6	34.1	20.3	16.4	3.8	3.0	2.6	18.0	16.9	17.4	16.7	13.7	10.5

Source: Bloomberg, Mirae Asset Daewoo Research

InBody (041830 KQ/Buy/TP: W37,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	93	101	113	131
Cost of Sales	24	26	29	33
Gross Profit	69	75	84	98
SG&A Expenses	45	50	55	64
Operating Profit (Adj)	25	25	29	34
Operating Profit	25	25	29	34
Non-Operating Profit	-2	1	0	1
Net Financial Income	1	0	1	1
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	23	26	29	35
Income Tax	4	5	5	6
Profit from Continuing Operations	19	21	24	29
Profit from Discontinued Operations	0	0	0	0
Net Profit	19	21	24	29
Controlling Interests	19	21	24	29
Non-Controlling Interests	0	0	0	0
Total Comprehensive Profit	18	22	24	29
Controlling Interests	18	22	24	29
Non-Controlling Interests	0	0	0	0
EBITDA	27	27	31	36
FCF (Free Cash Flow)	13	-14	23	26
EBITDA Margin (%)	29.0	26.7	27.4	27.5
Operating Profit Margin (%)	26.9	24.8	25.7	26.0
Net Profit Margin (%)	20.4	20.8	21.2	22.1

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	19	23	23	26
Net Profit	19	21	24	29
Non-Cash Income and Expense	7	6	7	7
Depreciation	1	2	2	2
Amortization	0	0	0	0
Others	6	4	5	5
Chg in Working Capital	-5	0	-3	-4
Chg in AR & Other Receivables	-3	-1	-2	-2
Chg in Inventories	-1	0	-2	-2
Chg in AP & Other Payables	0	0	0	0
Income Tax Paid	-4	-5	-5	-6
Cash Flows from Inv Activities	-13	-39	-6	-8
Chg in PP&E	-5	-37	0	0
Chg in Intangible Assets	0	0	0	0
Chg in Financial Assets	-7	-2	-6	-8
Others	-1	0	0	0
Cash Flows from Fin Activities	-4	11	-2	-2
Chg in Financial Liabilities	0	14	0	0
Chg in Equity	0	0	0	0
Dividends Paid	-1	-3	-2	-2
Others	-3	0	0	0
Increase (Decrease) in Cash	1	-4	15	16
Beginning Balance	10	11	7	22
Ending Balance	11	7	22	38

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	75	73	98	127
Cash and Cash Equivalents	11	7	22	38
AR & Other Receivables	13	13	15	18
Inventories	11	11	13	15
Other Current Assets	40	42	48	56
Non-Current Assets	37	72	71	69
Investments in Associates	1	1	1	1
Property, Plant and Equipment	32	67	66	64
Intangible Assets	2	1	1	1
Total Assets	112	145	169	197
Current Liabilities	5	19	20	21
AP & Other Payables	1	1	1	1
Short-Term Financial Liabilities	0	14	14	14
Other Current Liabilities	4	4	5	6
Non-Current Liabilities	1	1	1	1
Long-Term Financial Liabilities	0	0	0	0
Other Non-Current Liabilities	1	1	1	1
Total Liabilities	6	20	21	22
Controlling Interests	107	126	148	175
Capital Stock	7	7	7	7
Capital Surplus	1	1	1	1
Retained Earnings	103	122	144	171
Non-Controlling Interests	0	0	0	0
Stockholders' Equity	107	126	148	175

Forecasts/Valuations (Summarized)

	12/17	12/18F	12/19F	12/20F
P/E (x)	28.4	16.2	14.3	12.1
P/CF (x)	20.8	12.8	11.2	9.7
P/B (x)	5.0	2.7	2.3	1.9
EV/EBITDA (x)	18.7	11.6	9.4	7.5
EPS (W)	1,412	1,555	1,766	2,087
CFPS (W)	1,928	1,963	2,253	2,608
BPS (W)	8,008	9,386	11,034	13,003
DPS (W)	120	120	120	120
Payout ratio (%)	8.4	7.6	6.7	5.7
Dividend Yield (%)	0.3	0.5	0.5	0.5
Revenue Growth (%)	16.3	8.6	11.9	15.9
EBITDA Growth (%)	12.5	0.0	14.8	16.1
Operating Profit Growth (%)	13.6	0.0	16.0	17.2
EPS Growth (%)	13.8	10.1	13.6	18.2
Accounts Receivable Turnover (x)	8.0	8.0	8.2	8.3
Inventory Turnover (x)	9.4	9.3	9.5	9.6
Accounts Payable Turnover (x)	66.9	77.3	78.3	78.6
ROA (%)	18.5	16.5	15.4	15.6
ROE (%)	19.4	18.4	17.7	17.7
ROIC (%)	41.0	28.9	26.5	30.5
Liability to Equity Ratio (%)	5.2	15.9	14.0	12.5
Current Ratio (%)	1,509.1	378.5	487.3	602.1
Net Debt to Equity Ratio (%)	-47.3	-26.7	-36.8	-45.0
Interest Coverage Ratio (x)	0.0	95.0	68.8	80.6

Rayence (228850 KQ)

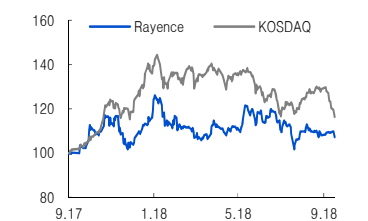
Margin improvement driven by growing revenue contribution from CMOS

MedTech

(Maintain)	Buy
Target Price (12M, W)	26,000
Share Price (10/10/18, W)	18,550
Expected Return	40%

OP (18F, Wbn)	24
Consensus OP (18F, Wbn)	24
EPS Growth (18F, %)	39.8
Market EPS Growth (18F, %)	13.9
P/E (18F, x)	15.1
Market P/E (18F, x)	8.8
KOSDAQ	747.50
Market Cap (Wbn)	308
Shares Outstanding (mn)	17
Free Float (%)	30.3
Foreign Ownership (%)	4.2
Beta (12M)	0.68
52-Week Low	17,300
52-Week High	21,800

(%)	1M	6M	12M
Absolute	-2.1	-1.1	7.2
Relative	6.9	16.1	-6.1



3Q18 preview: Earnings to meet the consensus

For 3Q18, we expect Rayence to post revenue of W31.1bn (+6.2% YoY), in line with the market consensus. At the CMOS detector division, we project top line to grow 33.6% YoY, driven by robust dental segment sales (+40% YoY). Meanwhile, we expect revenue from the TFT detector business to decline by 2.5% YoY. We anticipate operating profit of W6.2bn (+17.4% YoY; OP margin of 19.9%), in line with the consensus.

Successful revenue diversification and margin recovery

CMOS detectors: We find it positive that the CMOS detector business yields a higher margin than the TFT detector division, which faces severe competition. In the dental detector segment, Rayence has begun to diversify its customer base beyond Vatech this year. Specifically, the company has reportedly won a five-year contract worth W14.6bn from a Chinese customer. We look for additional revenue growth going forward. We also expect to see diversification in the mammography segment, where Rayence enjoys a steady revenue stream from a five-year contract with GE Healthcare (W23.5bn), as well as in industrial detectors, which are benefiting from an increase in applications.

TFT detectors: The TFT detector division focuses on medical applications. The medical detector business has been growing at an annual rate of 20-30%, driven by expansion of the global retrofit X-ray system market and B2B contracts. In 2018, we expect Rayence's TFT detector division to display solid growth, supported by: 1) the penetration of Latin America through Osko, a US-based X-ray solutions subsidiary; 2) B2B contracts with GE Healthcare; and 3) a technology transfer deal in Brazil.

Other: Rayence is the world's leading intraoral sensor maker (23% market share), as well as the only supplier of bendable sensors. Leveraging its robust competitiveness, the company began generating global ODM sales in 2017. Another positive is that demand is expanding beyond the dental segment into industrial applications (tires, batteries, PCBs, etc.).

Maintain Buy and TP of W26,000

We maintain our Buy call and target price of W26,000 on Rayence. The stock currently trades at a 12-month forward P/E of 13.4x, a discount to the global peer average (17.4x). We believe that Rayence, which is building a diversified portfolio on the back of its robust CMOS and TFT technologies, has viable growth drivers in each of its main business areas. Supported by diversification effects, both revenue and margin have been expanding in 2018. Valuation also looks attractive.

[MedTech/IT small-cap]

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FY (12)	12/15	12/16	12/17	12/18F	12/19F	12/20F
Revenue (Wbn)	87	98	107	121	140	155
OP (Wbn)	20	18	17	24	28	31
OP margin (%)	23.0	18.4	15.9	19.8	20.0	20.0
NP (Wbn)	14	15	15	20	23	26
EPS (W)	1,150	947	881	1,232	1,383	1,564
ROE (%)	27.3	13.1	8.5	11.2	11.5	11.7
P/E (x)	-	18.1	21.0	15.1	13.4	11.9
P/B (x)	-	1.7	1.7	1.5	1.4	1.2
Dividend yield (%)	-	1.7	0.5	0.5	0.5	0.5

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
 Source: Company data, Mirae Asset Daewoo Research estimates

Table 19. 3Q18 preview

(Wbn, %, %p)

	3Q17	2Q18	3Q18F		Growth	
			Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	29.3	30.7	31.1	32.5	6.2	1.3
Operating profit	5.3	6.4	6.2	6.4	17.4	-3.0
OP margin (%)	18.0	20.7	19.9	19.7	1.9	-0.9
Pretax profit	5.4	7.2	6.2	6.8	15.1	-13.0
Net profit	4.3	5.6	5.2	5.5	19.8	-6.7

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

Table 20. Earnings forecast revisions

(Wbn, W, %)

	Previous		Revised		% chg.		Notes
	18F	19F	18F	19F	18F	19F	
Revenue	123.7	143.5	121.0	139.6	-2.1	-2.7	I/O sensor exports lower than expected
Operating profit	24.0	28.6	23.8	27.9	-0.9	-2.6	
Pretax profit	25.2	28.8	25.0	28.0	-0.8	-2.9	
Net profit	20.7	23.6	20.4	22.9	-1.2	-2.8	
EPS (W)	1,245.5	1,422.8	1,232.4	1,382.7	-1.1	-2.8	

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

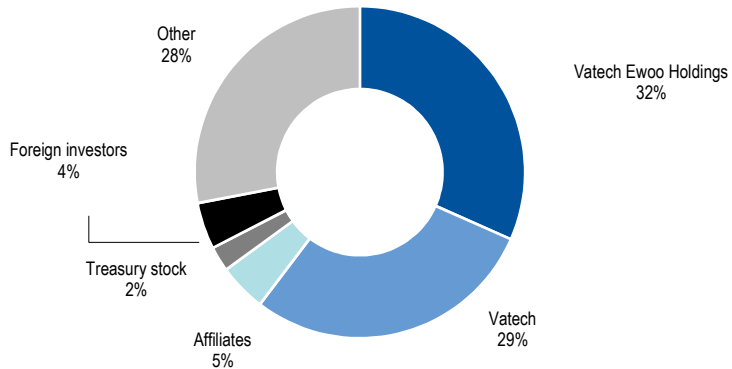
Table 21. Quarterly and annual earnings

(Wbn, %)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18F	4Q18F	2017	2018F	2019F
Revenue	24.6	26.6	29.3	25.9	28.5	30.7	31.1	30.7	106.5	121.0	139.6
TFT	11.3	12.5	14.9	13.3	12.2	14.5	14.6	15.0	52.1	56.3	63.1
CMOS	8.0	8.1	9.2	7.3	10.0	11.7	12.3	9.5	32.6	43.6	51.2
Other	5.3	6.1	5.2	5.2	6.3	4.5	4.3	6.2	21.9	21.2	25.3
Operating profit	4.3	4.0	5.3	3.7	5.2	6.4	6.2	6.1	17.3	23.8	27.9
Pretax profit	3.4	4.3	5.4	1.8	5.4	7.2	6.2	6.1	14.9	25.0	28.0
Net profit	2.8	3.5	4.3	3.9	4.6	5.6	5.2	5.1	14.6	20.4	22.9
OP margin (%)	17.4	15.1	18.0	14.4	18.2	20.7	19.9	19.7	16.2	19.7	20.0
Pretax margin (%)	13.7	16.1	18.5	6.9	19.1	23.3	20.1	20.0	14.0	20.7	20.0
Net margin (%)	11.4	13.1	14.5	14.9	16.1	18.1	16.7	16.6	13.7	16.9	16.4

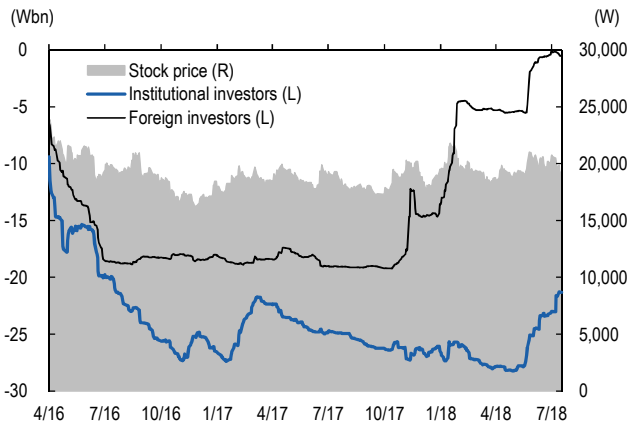
Source: Company data, Mirae Asset Daewoo Research estimates

Figure 15. Ownership breakdown



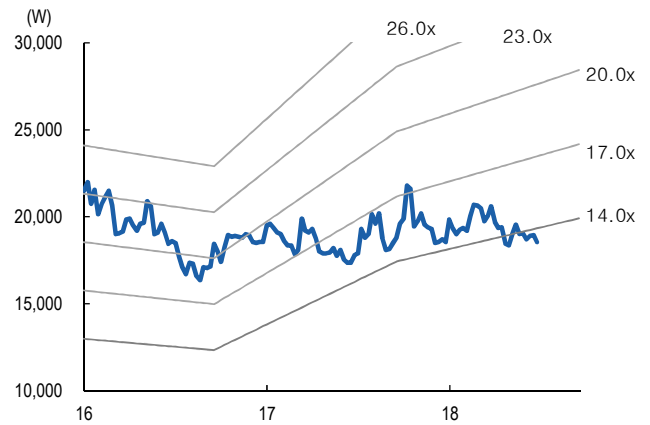
Source: Bloomberg, Mirae Asset Daewoo Research

Figure 16. Domestic institutional and foreign net buying



Source: Bloomberg, Mirae Asset Daewoo Research

Figure 17. 12-month forward P/E band



Source: Bloomberg, Mirae Asset Daewoo Research

Table 22. Global peer valuation

Companies	Market cap	OP margin (%)			P/E (x)			P/B (x)			ROE (%)			EV/EBITDA (x)		
		17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F
Canon	47,421	8.1	9.2	9.2	15.2	14.2	14.3	1.4	1.3	1.3	9.0	9.3	8.9	6.8	7.8	7.9
Varex Imaging	1,159	12.0	10.5	13.2	21.2	20.3	16.5	2.4	2.3	2.0	10.8	12.6	11.4	17.0	13.1	11.4
Teledyne Technologies	9,690	12.9	14.0	14.9	31.5	28.7	27.2	4.1	-	-	15.1	-	-	15.9	18.0	17.1
Analogic	348	23.6	17.2	21.1	17.7	17.2	14.1	3.2	2.4	2.1	16.6	15.1	16.1	11.2	11.8	8.6
Vieworks	308	15.9	19.8	20.0	21.0	15.0	13.4	1.7	1.5	1.4	8.5	11.2	11.5	9.5	7.2	5.9
Rayence		14.5	14.1	15.7	21.3	19.1	17.1	2.5	1.9	1.7	12.0	12.1	12.0	12.1	11.6	10.2

Source: Bloomberg, Mirae Asset Daewoo Research

Rayence (228850 KQ/Buy/TP: W26,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	107	121	140	155
Cost of Sales	66	74	86	95
Gross Profit	41	47	54	60
SG&A Expenses	23	23	26	29
Operating Profit (Adj)	17	24	28	31
Operating Profit	17	24	28	31
Non-Operating Profit	-2	1	0	1
Net Financial Income	1	1	1	2
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	15	25	28	32
Income Tax	0	5	5	6
Profit from Continuing Operations	14	20	23	26
Profit from Discontinued Operations	0	0	0	0
Net Profit	14	20	23	26
Controlling Interests	15	20	23	26
Non-Controlling Interests	0	0	0	0
Total Comprehensive Profit	15	21	23	26
Controlling Interests	15	20	23	26
Non-Controlling Interests	0	0	0	0
EBITDA	24	30	34	36
FCF (Free Cash Flow)	16	15	22	25
EBITDA Margin (%)	22.4	24.8	24.3	23.2
Operating Profit Margin (%)	15.9	19.8	20.0	20.0
Net Profit Margin (%)	14.0	16.5	16.4	16.8

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	21	16	22	25
Net Profit	14	20	23	26
Non-Cash Income and Expense	11	12	10	9
Depreciation	3	4	3	3
Amortization	3	3	3	2
Others	5	5	4	4
Chg in Working Capital	-4	-14	-7	-7
Chg in AR & Other Receivables	3	-14	-5	-5
Chg in Inventories	-3	1	-4	-4
Chg in AP & Other Payables	-1	1	1	1
Income Tax Paid	-2	-3	-5	-6
Cash Flows from Inv Activities	-3	-2	-6	-6
Chg in PP&E	-5	-1	0	0
Chg in Intangible Assets	-5	-2	0	0
Chg in Financial Assets	7	1	-6	-6
Others	0	0	0	0
Cash Flows from Fin Activities	-6	-10	-2	-2
Chg in Financial Liabilities	-2	-2	0	0
Chg in Equity	0	0	0	0
Dividends Paid	-2	-3	-2	-2
Others	-2	-5	0	0
Increase (Decrease) in Cash	12	5	15	17
Beginning Balance	9	21	25	40
Ending Balance	21	25	40	57

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	141	156	186	218
Cash and Cash Equivalents	21	25	40	57
AR & Other Receivables	19	32	37	42
Inventories	27	25	29	33
Other Current Assets	74	74	80	86
Non-Current Assets	56	53	47	42
Investments in Associates	0	0	0	0
Property, Plant and Equipment	34	32	28	25
Intangible Assets	20	20	17	15
Total Assets	196	209	233	260
Current Liabilities	18	18	20	22
AP & Other Payables	9	11	13	14
Short-Term Financial Liabilities	5	4	4	4
Other Current Liabilities	4	3	3	4
Non-Current Liabilities	2	2	2	2
Long-Term Financial Liabilities	0	0	0	0
Other Non-Current Liabilities	2	2	2	2
Total Liabilities	19	20	22	25
Controlling Interests	177	188	210	234
Capital Stock	8	8	8	8
Capital Surplus	108	108	108	108
Retained Earnings	68	84	106	130
Non-Controlling Interests	0	1	1	1
Stockholders' Equity	177	189	211	235

Forecasts/Valuations (Summarized)

	12/17	12/18F	12/19F	12/20F
P/E (x)	21.0	15.1	13.4	11.9
P/CF (x)	12.1	9.6	9.4	8.7
P/B (x)	1.7	1.5	1.4	1.2
EV/EBITDA (x)	9.5	7.2	5.9	4.8
EPS (W)	881	1,232	1,383	1,564
CFPS (W)	1,531	1,937	1,966	2,125
BPS (W)	11,086	12,098	13,385	14,854
DPS (W)	100	100	100	100
Payout ratio (%)	11.2	7.7	6.9	6.1
Dividend Yield (%)	0.5	0.5	0.5	0.5
Revenue Growth (%)	9.2	13.1	15.7	10.7
EBITDA Growth (%)	4.3	25.0	13.3	5.9
Operating Profit Growth (%)	-5.6	41.2	16.7	10.7
EPS Growth (%)	-7.0	39.8	12.3	13.1
Accounts Receivable Turnover (x)	5.3	4.8	4.0	3.9
Inventory Turnover (x)	4.1	4.6	5.1	5.0
Accounts Payable Turnover (x)	9.1	10.4	10.3	10.1
ROA (%)	7.4	10.1	10.4	10.5
ROE (%)	8.5	11.2	11.5	11.7
ROIC (%)	18.2	19.7	22.5	24.8
Liability to Equity Ratio (%)	11.0	10.5	10.5	10.4
Current Ratio (%)	799.5	861.2	915.2	973.6
Net Debt to Equity Ratio (%)	-47.7	-47.3	-52.2	-56.5
Interest Coverage Ratio (x)	28.3	96.0	107.5	120.3

Vatech (043150 KQ)

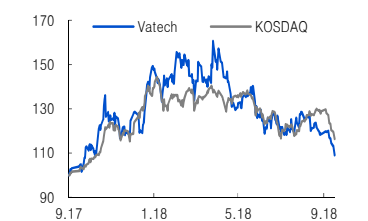
Focus on historically low valuation

MedTech

(Maintain)	Buy
Target Price (12M, W)	▼ 43,000
Share Price (10/10/18, W)	28,850
Expected Return	49%

OP (18F, Wbn)	42
Consensus OP (18F, Wbn)	45
EPS Growth (18F, %)	-53.5
Market EPS Growth (18F, %)	13.9
P/E (18F, x)	11.7
Market P/E (18F, x)	8.8
KOSDAQ	747.50
Market Cap (Wbn)	429
Shares Outstanding (mn)	15
Free Float (%)	46.4
Foreign Ownership (%)	20.6
Beta (12M)	0.78
52-Week Low	26,900
52-Week High	42,500

(%)	1M	6M	12M
Absolute	-10.3	-23.8	4.9
Relative	-2.0	-10.5	-8.1



3Q18 preview: Revenue to meet the consensus

For 3Q18, we expect Vatech to post revenue of W58.4bn (+5.1% YoY), in line with the consensus. Top-line growth is likely to slow, due to new inventory policies at North American dealers. We forecast 3Q18 operating profit at W8.4bn (+6.3% YoY; OP margin of 14.3%), well below the consensus, due to an increasing revenue contribution from low-margin 2D products.

Developed market-led growth and diversification for long-term growth

1) Aggressive branding strategy in developed markets: We believe that Vatech has expanded its North American market share to 20% in 3D systems and the low teens in 2D systems on the back of differentiation through its low-radiation product lineup. Driven by its rapid growth in North America, Vatech is close to becoming the world's no. 1 supplier in terms of sales volume.

2) Price competitiveness to improve in China: In China, an important emerging market, Vatech's Smart 3D system received regulatory approval in June, which should improve the company's price competitiveness and thus make it better positioned to expand its presence in the country.

3) Rayence's earnings stabilization: We expect earnings at Rayence (Vatech's equity-method affiliate) to stabilize in 2018. We forecast Rayence's revenue growth in 2018 to pick up to 15% and OP margin to recover to 18%, contributing to Vatech's earnings improvement.

4) Business diversification to digital dentistry: Vatech is expanding its intraoral equipment portfolio (portable X-ray, intraoral sensors, etc.) to establish a full lineup of dental imaging equipment. In 4Q18, Vatech plans to release a 3D oral scanner that allows for high-precision diagnosis.

Maintain Buy, but lower TP to W43,000

We maintain our Buy call on Vatech, but lower our target price to W43,000 (from W47,000). The stock is currently trading at a 12-month forward P/E of 9.7x (versus 20.1x for peers), an historical low. We expect revenue to grow at a three-year CAGR of 9.3% (versus global peer average of 4-5%), a significant feat for an imaging equipment vendor. We believe such solid growth will be supported by: 1) the company's increasing brand value in developed markets; and 2) the sale of strategic products in the fast-growing China market. In our view, the stock's historically low valuation deserves attention.

[MedTech/IT small-cap]

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FY (12)	12/15	12/16	12/17	12/18F	12/19F	12/20F
Revenue (Wbn)	217	179	219	233	256	280
OP (Wbn)	41	30	39	42	48	54
OP margin (%)	18.9	16.8	17.8	18.0	18.8	19.3
NP (Wbn)	21	25	79	37	44	50
EPS (W)	1,433	1,667	5,324	2,476	2,977	3,393
ROE (%)	22.5	19.9	46.1	17.3	17.7	17.1
P/E (x)	27.6	21.7	6.4	11.7	9.7	8.5
P/B (x)	5.8	3.7	2.6	1.9	1.6	1.3
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3	0.3

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
 Source: Company data, Mirae Asset Daewoo Research estimates

Table 23. 3Q18 preview

(Wbn, %, %p)

	3Q17	2Q18	3Q18F		Growth	
			Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	55.5	59.4	58.4	60.2	5.1	-1.8
Operating profit	7.9	12.5	8.4	10.4	6.3	-33.2
OP margin (%)	14.2	21.1	14.3	17.2	0.2	-6.8
Pretax profit	9.6	14.5	9.9	10.7	2.9	-31.8
Net profit	8.6	9.2	7.6	7.9	-11.8	-17.4

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

Table 24. Earnings forecast revisions

(Wbn, %)

	Previous		Revised		% chg.		Notes
	18F	19F	18F	19F	18F	19F	
Revenue	235.9	260.5	232.7	256.0	-1.3	-1.7	Reflects 2Q18 results
Operating profit	44.2	50.4	41.7	47.6	-5.8	-5.5	Rising mix of 3D sales
Pretax profit	51.5	57.5	49.0	55.4	-4.8	-3.7	
Net profit	39.0	45.9	36.8	44.2	-5.8	-3.7	Revised profits from non-controlling interests
EPS (W)	2,629	3,091	2,476	2,977	-5.8	-3.7	

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: Company data, Mirae Asset Daewoo Research estimates

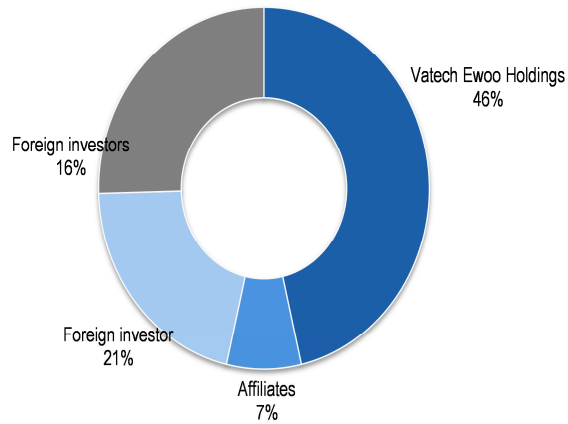
Table 25. Quarterly and annual earnings

(Wbn, %)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18F	4Q18F	2017	2018F	2019F
Revenue	44.2	56.9	55.5	62.1	48.6	59.4	58.4	66.3	218.8	232.7	256.0
Korea	10.2	10.2	10.5	9.7	9.0	9.2	9.4	8.7	40.6	36.4	37.2
Asia	11.1	12.1	13.0	11.7	10.1	13.5	14.2	13.2	47.8	51.0	55.6
North America	10.4	14.5	14.8	19.3	11.8	12.2	13.5	20.3	59.1	57.8	63.0
Europe	8.5	15.1	10.9	14.1	11.8	17.5	12.8	15.8	48.6	57.9	66.0
Other	4.0	4.9	6.4	7.4	5.8	7.0	8.5	8.3	22.7	29.6	34.1
Operating profit	8.3	12.3	7.9	10.6	8.8	12.5	8.4	12.0	39.1	41.7	47.6
Pretax profit	4.6	14.6	9.6	4.9	10.9	14.5	9.9	13.6	33.7	49.0	55.4
Net profit	59.4	10.7	8.6	0.4	9.6	9.2	7.6	10.4	79.1	36.8	44.2
OP margin (%)	18.8	21.5	14.2	17.1	18.1	21.1	14.3	18.1	17.9	17.9	18.6
Pretax margin (%)	10.4	25.7	17.3	7.8	22.5	24.4	17.0	20.5	15.4	21.0	21.6
Net margin (%)	137.1	23.1	16.3	1.3	19.5	15.9	14.2	17.3	36.1	15.8	17.3

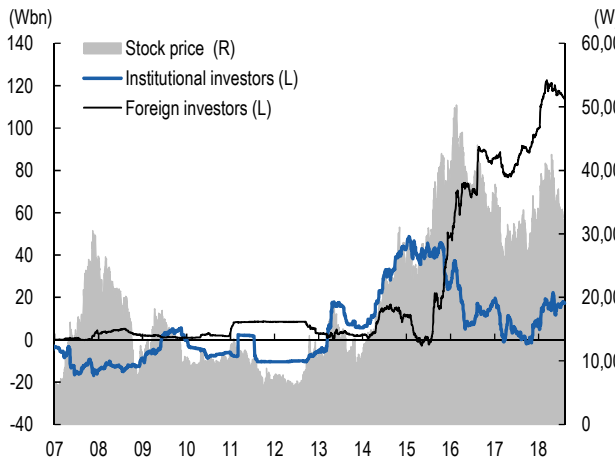
Source: Company data, Mirae Asset Daewoo Research estimates

Figure 48. Ownership breakdown



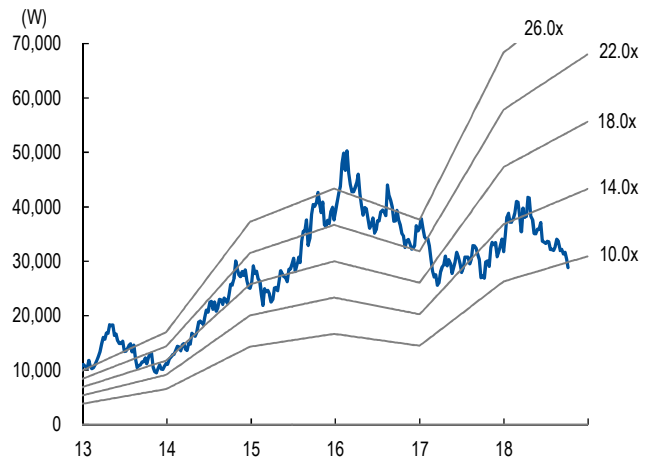
Source: Mirae Asset Daewoo Research

Figure 19. Institutional and foreign net buying vs. share price



Source: Mirae Asset Daewoo Research

Figure 20. P/E band chart



Source: Mirae Asset Daewoo Research

Table 26. Global peer valuation

Companies	Market cap	OP margin (%)			P/E (x)			P/B (x)			ROE (%)			EV/EBITDA (x)		
		17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F
Straumann	12,100	25.5	25.4	26.2	39.8	36.8	30.2	9.7	8.3	6.9	30.1	24.1	24.5	33.2	26.7	22.8
Osstem Implant	682	5.5	7.1	9.6	83.5	30.8	21.3	6.1	4.3	3.6	9.3	18.1	21.7	28.5	16.5	10.8
Hefei Meiya	2,354	35.1	36.3	37.3	36.5	32.2	26.3	7.1	5.9	5.1	19.6	18.3	19.2	-	24.2	20.2
Danaher	84,872	16.5	20.8	21.5	29.9	23.7	22.0	2.7	2.6	2.4	10.3	11.2	10.8	17.2	17.8	16.5
Dentsply Sirona	9,033	-39.1	15.7	16.4	18.6	17.0	15.2	1.5	1.3	1.4	-25.8	8.1	8.0	-	12.9	11.4
Zimmer Biomet	29,347	10.3	28.0	28.0	24.2	16.6	16.0	2.1	2.0	1.9	15.1	13.5	12.4	17.3	12.8	12.5
Vatech	429	17.8	18.0	18.8	21.4	11.7	9.7	2.6	1.9	1.6	46.1	17.3	17.7	11.5	8.7	7.2
Dentium	987	27.2	26.4	26.7	22.9	24.3	20.7	3.8	4.4	3.7	26.0	22.3	21.1	15.9	18.7	14.9
Rayence	308	15.9	19.8	20.0	21.0	15.0	13.4	1.7	1.5	1.4	8.5	11.2	11.5	9.5	7.2	5.9
Average		12.7	22.0	22.7	33.1	23.1	19.4	4.2	3.6	3.1	15.5	16.0	16.3	19.0	16.2	13.6

Source: Bloomberg, Mirae Asset Daewoo Research

Vatech (043150 KQ/Buy/TP: W43,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	219	233	256	280
Cost of Sales	114	117	131	143
Gross Profit	105	116	125	137
SG&A Expenses	66	74	78	83
Operating Profit (Adj)	39	42	48	54
Operating Profit	39	42	48	54
Non-Operating Profit	-5	7	7	9
Net Financial Income	-1	-1	-1	0
Net Gain from Inv in Associates	0	4	8	9
Pretax Profit	34	49	55	63
Income Tax	9	10	9	10
Profit from Continuing Operations	25	39	47	53
Profit from Discontinued Operations	59	0	0	0
Net Profit	84	39	47	53
Controlling Interests	79	37	44	50
Non-Controlling Interests	5	2	2	3
Total Comprehensive Profit	83	39	47	53
Controlling Interests	79	38	45	51
Non-Controlling Interests	4	1	2	2
EBITDA	46	49	54	60
FCF (Free Cash Flow)	35	34	40	45
EBITDA Margin (%)	21.0	21.0	21.1	21.4
Operating Profit Margin (%)	17.8	18.0	18.8	19.3
Net Profit Margin (%)	36.1	15.9	17.2	17.9

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	51	37	40	45
Net Profit	84	39	47	53
Non-Cash Income and Expense	-63	12	8	6
Depreciation	5	5	5	4
Amortization	3	2	2	2
Others	-71	5	1	0
Chg in Working Capital	26	1	-5	-5
Chg in AR & Other Receivables	14	-2	-6	-6
Chg in Inventories	10	-4	-6	-6
Chg in AP & Other Payables	9	2	4	4
Income Tax Paid	0	-12	-9	-10
Cash Flows from Inv Activities	-37	-6	-2	-2
Chg in PP&E	-13	-4	0	0
Chg in Intangible Assets	-2	-1	0	0
Chg in Financial Assets	77	-2	-2	-2
Others	-99	1	0	0
Cash Flows from Fin Activities	-19	-9	-1	-1
Chg in Financial Liabilities	-18	-5	0	0
Chg in Equity	-28	0	0	0
Dividends Paid	-1	-3	-1	-1
Others	28	-1	0	0
Increase (Decrease) in Cash	-5	22	40	41
Beginning Balance	26	20	43	83
Ending Balance	20	43	83	124

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	138	169	224	280
Cash and Cash Equivalents	20	42	83	124
AR & Other Receivables	53	57	63	70
Inventories	51	55	61	67
Other Current Assets	14	15	17	19
Non-Current Assets	183	186	185	189
Investments in Associates	92	96	101	111
Property, Plant and Equipment	69	68	63	59
Intangible Assets	12	10	8	6
Total Assets	321	355	409	469
Current Liabilities	78	77	84	90
AP & Other Payables	35	37	41	46
Short-Term Financial Liabilities	26	21	21	21
Other Current Liabilities	17	19	22	23
Non-Current Liabilities	44	45	47	49
Long-Term Financial Liabilities	29	28	28	28
Other Non-Current Liabilities	15	17	19	21
Total Liabilities	123	122	131	139
Controlling Interests	196	228	271	320
Capital Stock	7	7	7	7
Capital Surplus	8	8	8	8
Retained Earnings	180	212	255	304
Non-Controlling Interests	3	5	7	10
Stockholders' Equity	199	233	278	330

Forecasts/Valuations (Summarized)

	12/17	12/18F	12/19F	12/20F
P/E (x)	6.4	11.7	9.7	8.5
P/CF (x)	24.5	8.5	7.9	7.2
P/B (x)	2.6	1.9	1.6	1.3
EV/EBITDA (x)	11.5	8.7	7.2	5.8
EPS (W)	5,324	2,476	2,977	3,393
CFPS (W)	1,388	3,409	3,646	4,008
BPS (W)	13,196	15,373	18,250	21,544
DPS (W)	100	100	100	100
Payout ratio (%)	1.8	3.8	3.2	2.8
Dividend Yield (%)	0.3	0.3	0.3	0.3
Revenue Growth (%)	22.3	6.4	9.9	9.4
EBITDA Growth (%)	12.2	6.5	10.2	11.1
Operating Profit Growth (%)	30.0	7.7	14.3	12.5
EPS Growth (%)	219.4	-53.5	20.2	14.0
Accounts Receivable Turnover (x)	3.6	4.3	4.4	4.3
Inventory Turnover (x)	3.9	4.4	4.4	4.4
Accounts Payable Turnover (x)	4.5	3.8	3.9	3.8
ROA (%)	23.5	11.4	12.2	12.1
ROE (%)	46.1	17.3	17.7	17.1
ROIC (%)	16.6	24.2	29.4	32.9
Liability to Equity Ratio (%)	61.9	52.5	47.1	42.2
Current Ratio (%)	176.4	218.8	267.2	309.5
Net Debt to Equity Ratio (%)	11.6	-2.5	-17.1	-27.3
Interest Coverage Ratio (x)	22.7	29.9	36.0	40.5

i-SENS (099190 KQ)

Operating leverage to materialize after 4Q18

MedTech

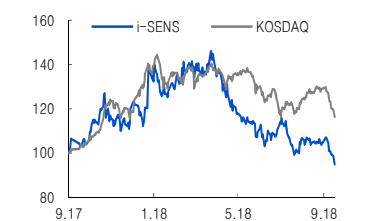
(Maintain)	Buy
Target Price (12M, W)	▼ 29,000
Share Price (10/10/18, W)	19,700
Expected Return	47%

OP (18F, Wbn)	23
Consensus OP (18F, Wbn)	24

EPS Growth (18F, %)	12.0
Market EPS Growth (18F, %)	13.9
P/E (18F, x)	15.3
Market P/E (18F, x)	8.8
KOSDAQ	747.50

Market Cap (Wbn)	271
Shares Outstanding (mn)	14
Free Float (%)	74.7
Foreign Ownership (%)	39.1
Beta (12M)	0.46
52-Week Low	19,700
52-Week High	30,300

(%)	1M	6M	12M
Absolute	-9.6	-31.1	-9.0
Relative	-1.3	-19.2	-20.3



3Q18 preview: Top line to meet our expectations

For 3Q18, we forecast i-SENS to deliver revenue of W43.8bn (+9.1% YoY), in line with the consensus. For the core blood glucose monitoring system business, we estimate that revenue increased 10.6% YoY. For the PT/INR monitoring system and gas analyzer businesses, we estimate robust revenue growth of 16.1% YoY and 20.2% YoY, respectively. We expect operating profit to come in at W5.5bn (+12.2% YoY; OP margin of 12.6%), below the consensus, due to one-off expenses of W1bn (versus W1.5bn in 2Q18).

2018 to be marked by fundamental enhancements for portfolio expansion

1) Mega trend: The self-glucose monitoring (SGM) market is slowing, due to falling reimbursement rates in the US (the world's largest market), while the continuous glucose monitoring (CGM) market is growing on the back of technological and regulatory developments. Considering the cost picture, we think it is unlikely that CGM will completely supplant SGM. Rather, the market is likely to become divided, with insulin-dependent patients turning to CGM and non-insulin-dependent patients to SGM. We believe adapting to these market changes will be key going forward.

2) In-vitro diagnostics portfolio expansion: i-SENS has continued to reduce its revenue exposure to blood glucose monitoring (from 97.1% in 2010 to 90.1% in 2017) by diversifying its business portfolio. This is why the company was able to deliver solid growth last year despite the weakness of its blood glucose monitoring business. In 2018, we expect the point-of-care testing (POCT) business to continue to expand, supported by the growth of US-based CoaguSense and potential commercialization of immunoassay systems (for cardiovascular diseases).

3) Potential operation of China plant: i-SENS is seeking manufacturing certification for its China plant for both local sales and exports. We expect approval for exports to come through in 4Q18.

4) CGM business: i-SENS is currently working on developing CGM systems, with commercialization targeted for 2019. The company's product will be based on the flash glucose monitoring (FGM) method used by Abbott (ABT US/CP: US\$64.78) and will likely boast price competitiveness against rival products. CGM systems are one of the key items in the government's recently released medical device deregulation plan. The company is the only CGM developer in the domestic market.

Maintain Buy, but lower TP to W29,000

We maintain Buy on i-SENS, but lower our target price to W29,000. The stock is currently trading at an historical-low 12-month forward P/E of 11.4x (versus the global peer average of 15.5x). As the company continues to work on enhancing its fundamentals, we believe investors should pay closer attention to margins than top-line growth. We expect margins to meaningfully improve after the full recognition of one-off expenses in 4Q18.

[MedTech/IT small-cap]

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FY (12)	12/15	12/16	12/17	12/18F	12/19F	12/20F
Revenue (Wbn)	102	132	157	170	189	214
OP (Wbn)	19	26	23	23	30	36
OP margin (%)	18.6	19.7	14.6	13.5	15.9	16.8
NP (Wbn)	15	18	16	18	25	30
EPS (W)	1,077	1,280	1,146	1,284	1,842	2,158
ROE (%)	11.8	12.5	10.1	10.3	13.3	13.7
P/E (x)	31.6	23.0	22.1	15.3	10.7	9.1
P/B (x)	3.5	2.7	2.1	1.5	1.3	1.2
Dividend yield (%)	0.0	0.3	0.4	0.5	0.5	0.5

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
 Source: Company data, Mirae Asset Daewoo Research estimates

Table 27. 2Q18 preview

(Wbn, %, %p)

	3Q17	2Q18	3Q18F		Growth	
			Mirae Asset Daewoo	Consensus	YoY	QoQ
Revenue	40.1	40.8	43.8	43.3	9.1	7.3
Operating profit	4.9	4.5	5.5	5.9	12.2	23.9
OP margin (%)	12.3	10.9	12.6	13.7	0.3	1.7
Pretax profit	4.7	4.3	5.6	5.1	17.4	30.8
Net profit	3.8	4.3	4.3	4.5	15.3	0.6

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

Table 88. Earnings forecast revisions

(Wbn, %)

	Previous		Revised		% chg.		Notes
	18F	19F	18F	19F	18F	19F	
Revenue	170.4	188.9	170.3	189.2	0.0	0.1	Reflects 2Q18 results
Operating profit	23.7	31.0	22.9	30.5	-3.3	-1.7	
Pretax profit	22.0	31.5	21.6	31.3	-1.8	-0.7	
Net profit	17.9	25.5	17.6	25.3	-1.3	-0.8	
EPS (W)	1,301	1,858	1,284	1,842	-1.3	-0.8	

Notes: Based on consolidated K-IFRS; net profit is attributable to controlling interests

Source: FnGuide, company data, Mirae Asset Daewoo Research estimates

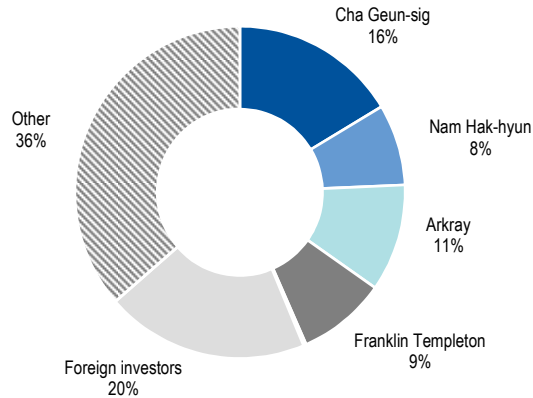
Table 29. Quarterly and annual earnings

(Wbn, %)

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18F	4Q18F	2017	2018F	2019F
Revenue	36.0	37.3	40.1	43.5	38.3	40.8	43.8	47.4	157.0	170.3	189.2
Glucose monitoring systems	32.3	33.7	35.7	39.6	35.0	36.7	39.5	43.2	141.4	154.3	171.1
POCT	1.4	1.6	1.7	1.7	1.5	1.8	2.0	1.9	6.4	7.2	8.2
PT/INR monitoring systems	1.7	1.7	1.7	2.8	1.8	2.1	2.0	2.0	7.8	7.9	8.7
Operating profit	5.3	5.8	4.9	6.9	5.7	4.5	5.5	7.3	22.8	22.9	30.5
Pretax profit	2.9	6.7	4.7	5.4	4.3	4.3	5.6	7.4	19.5	21.6	31.3
Net profit	2.4	5.3	3.8	4.4	3.2	4.3	4.3	5.8	15.7	17.6	25.3
OP margin (%)	14.8	15.6	12.3	15.8	14.9	10.9	12.6	15.3	14.5	13.5	16.1
Pretax margin (%)	8.1	17.9	11.8	12.3	11.2	10.4	12.7	15.7	12.4	12.7	16.5
Net margin (%)	5.5	13.1	8.5	11.6	8.1	10.4	9.8	12.1	10.0	10.4	13.4

Source: Company data, Mirae Asset Daewoo Research estimates

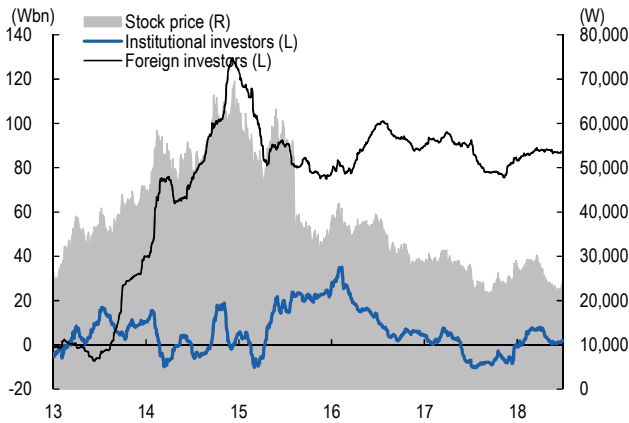
Figure 21. Ownership breakdown



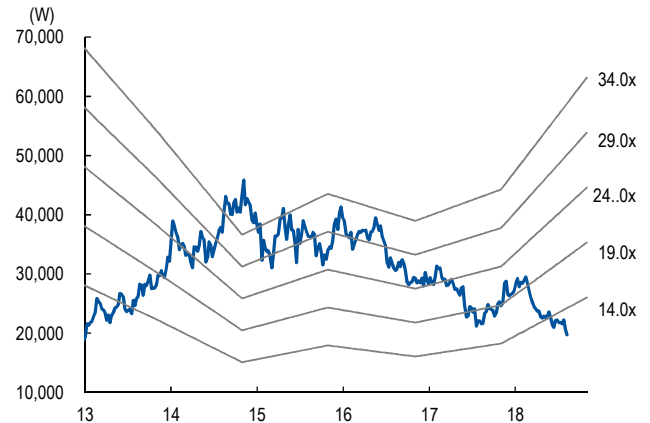
Source: Bloomberg, Mirae Asset Daewoo Research

Figure 52. Institutional and foreign net buying vs. share price

Figure 26. P/E band chart



Source: Mirae Asset Daewoo Research



Source: Mirae Asset Daewoo Research

Table 30. Global peer valuation: ROBO-index

(Wbn)

Companies	Market cap	OP margin (%)			P/E (x)			P/B (x)			ROE (%)			EV/EBITDA (x)		
		17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F	17	18F	19F
Roche	241,013	24.4	35.7	35.4	19.9	13.8	13.7	7.6	6.5	5.5	41.7	50.7	43.4	10.9	10.2	10.1
Abbott	142,124	6.3	21.5	22.3	39.5	24.7	22.0	4.1	3.9	3.5	3.0	15.9	16.8	19.4	19.1	17.5
Johnson & Johnson	424,377	24.5	31.0	31.8	21.6	17.1	16.1	5.9	6.1	5.4	2.0	31.8	30.0	13.1	13.0	12.3
i-SENS	271	14.6	13.5	15.9	22.1	15.3	10.7	2.1	1.5	1.3	10.1	10.3	13.3	12.1	9.1	6.7
Dexcom	12,300	-5.9	-4.0	0.9	889.2	-	-	22.5	23.2	19.8	-1.3	-7.6	-5.1	-	-	281.7
Sinocare	1,308	28.8	22.6	23.5	21.8	21.0	17.3	3.2	3.4	2.9	18.1	19.5	18.0	-	17.5	14.2
TaiDoc Technology	396	19.0	23.9	26.0	15.6	13.1	10.5	3.4	3.1	2.8	23.2	23.8	25.6	12.5	9.3	7.9
Apex Biotechnology	106	9.0	11.2	-	-	-	-	1.8	-	-	8.0	-	-	9.5	-	-
Bionime	120	13.6	13.5	13.0	21.9	14.3	13.0	1.5	-	-	6.9	10.0	10.8	12.3	-	-
Tandem	2,253	-58.5	-36.1	-18.0	-	-	-	71.5	10.3	12.6	-	-	-	-	-	-
Insulet	6,093	-1.6	3.6	7.2	-	-	-	29.9	25.1	20.8	-14.2	-2.0	9.7	268.2	149.4	65.3
Medtronic	147,625	22.2	28.2	28.9	25.7	18.8	17.3	2.6	2.4	2.4	6.3	12.2	12.6	14.6	14.6	13.7
Average		8.0	13.7	17.0	119.7	17.3	15.1	13.0	8.5	7.7	9.4	16.5	17.5	41.4	30.3	47.7

Source: Bloomberg, Mirae Asset Daewoo Research

i-SENS (099190 KQ/Buy/TP: W29,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	157	170	189	214
Cost of Sales	88	94	101	114
Gross Profit	69	76	88	100
SG&A Expenses	46	54	57	65
Operating Profit (Adj)	23	23	30	36
Operating Profit	23	23	30	36
Non-Operating Profit	-4	-1	1	1
Net Financial Income	-1	-1	-1	-1
Net Gain from Inv in Associates	-2	0	2	2
Pretax Profit	19	22	31	37
Income Tax	4	4	6	7
Profit from Continuing Operations	15	17	25	30
Profit from Discontinued Operations	0	0	0	0
Net Profit	15	17	25	30
Controlling Interests	16	18	25	30
Non-Controlling Interests	-1	0	0	0
Total Comprehensive Profit	13	18	25	30
Controlling Interests	14	18	26	30
Non-Controlling Interests	-1	0	-1	-1
EBITDA	30	31	38	43
FCF (Free Cash Flow)	-1	17	27	29
EBITDA Margin (%)	19.1	18.2	20.1	20.1
Operating Profit Margin (%)	14.6	13.5	15.9	16.8
Net Profit Margin (%)	10.2	10.6	13.2	14.0

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	22	22	27	29
Net Profit	15	17	25	30
Non-Cash Income and Expense	13	15	14	15
Depreciation	6	6	6	5
Amortization	1	1	1	1
Others	6	8	7	9
Chg in Working Capital	-3	-5	-5	-8
Chg in AR & Other Receivables	-5	-3	-5	-7
Chg in Inventories	2	-3	-4	-5
Chg in AP & Other Payables	2	0	1	1
Income Tax Paid	-6	-5	-6	-7
Cash Flows from Inv Activities	-28	-8	0	-1
Chg in PP&E	-24	-6	0	0
Chg in Intangible Assets	-1	0	0	0
Chg in Financial Assets	2	0	0	-1
Others	-5	-2	0	0
Cash Flows from Fin Activities	8	-4	-1	-1
Chg in Financial Liabilities	6	-1	0	0
Chg in Equity	0	0	0	0
Dividends Paid	-1	-3	-1	-1
Others	3	0	0	0
Increase (Decrease) in Cash	2	9	25	26
Beginning Balance	26	27	36	61
Ending Balance	27	36	61	87

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	96	111	144	183
Cash and Cash Equivalents	27	36	61	87
AR & Other Receivables	38	41	46	53
Inventories	29	32	35	41
Other Current Assets	2	2	2	2
Non-Current Assets	138	140	133	128
Investments in Associates	3	4	4	5
Property, Plant and Equipment	99	100	94	89
Intangible Assets	19	19	18	16
Total Assets	234	250	277	311
Current Liabilities	26	28	31	35
AP & Other Payables	16	17	19	22
Short-Term Financial Liabilities	5	5	5	5
Other Current Liabilities	5	6	7	8
Non-Current Liabilities	43	42	43	44
Long-Term Financial Liabilities	38	37	37	37
Other Non-Current Liabilities	5	5	6	7
Total Liabilities	69	70	73	79
Controlling Interests	163	178	202	230
Capital Stock	7	7	7	7
Capital Surplus	46	46	46	46
Retained Earnings	112	127	151	179
Non-Controlling Interests	2	2	2	2
Stockholders' Equity	165	180	204	232

Forecasts/Valuations (Summarized)

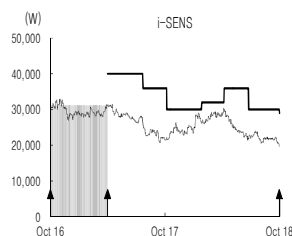
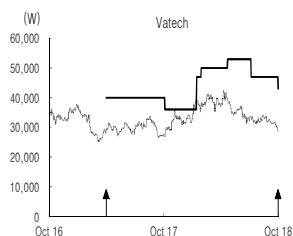
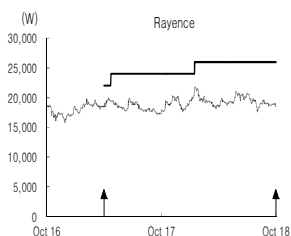
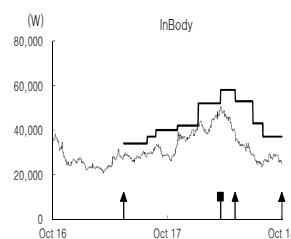
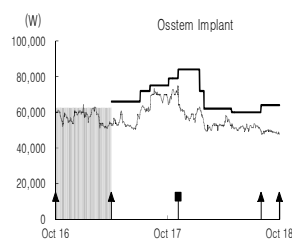
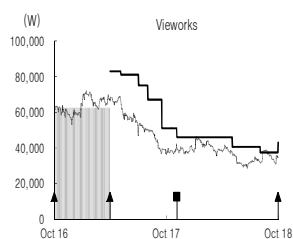
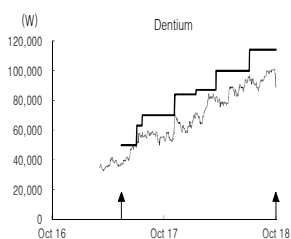
	12/17	12/18F	12/19F	12/20F
P/E (x)	22.1	15.3	10.7	9.1
P/CF (x)	12.3	8.4	6.9	6.1
P/B (x)	2.1	1.5	1.3	1.2
EV/EBITDA (x)	12.1	9.1	6.7	5.3
EPS (W)	1,146	1,284	1,842	2,158
CFPS (W)	2,058	2,348	2,855	3,234
BPS (W)	11,856	12,968	14,711	16,770
DPS (W)	100	100	100	100
Payout ratio (%)	9.1	7.9	5.5	4.6
Dividend Yield (%)	0.4	0.5	0.5	0.5
Revenue Growth (%)	18.9	8.3	11.2	13.2
EBITDA Growth (%)	-6.3	3.3	22.6	13.2
Operating Profit Growth (%)	-11.5	0.0	30.4	20.0
EPS Growth (%)	-10.5	12.0	43.5	17.2
Accounts Receivable Turnover (x)	4.5	4.5	4.5	4.5
Inventory Turnover (x)	5.2	5.6	5.6	5.6
Accounts Payable Turnover (x)	14.0	12.7	12.4	12.3
ROA (%)	6.7	7.2	9.5	10.1
ROE (%)	10.1	10.3	13.3	13.7
ROIC (%)	10.9	10.7	13.7	16.2
Liability to Equity Ratio (%)	41.7	38.9	36.0	33.8
Current Ratio (%)	371.5	397.7	471.8	528.7
Net Debt to Equity Ratio (%)	8.9	2.6	-9.9	-19.9
Interest Coverage Ratio (x)	18.4	20.7	29.7	35.0

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price	Company (Code)	Date	Rating	Target Price
Dentium (145720)	07/17/2018	Buy	114,000		07/11/2018	Buy	43,000
	03/30/2018	Buy	100,000		05/16/2018	Buy	53,000
	01/24/2018	Buy	87,000		05/15/2018	Buy	58,000
	11/15/2017	Buy	84,000		03/30/2018	Trading Buy	58,000
	08/01/2017	Buy	70,000		01/18/2018	Buy	52,000
	07/14/2017	Buy	63,000		11/13/2017	Buy	42,000
	05/25/2017	Buy	50,000		09/05/2017	Buy	40,000
Vieworks (100120)	10/11/2018	Buy	43,000	08/08/2017	Buy	37,000	
	08/14/2018	Trading Buy	37,500	05/25/2017	Buy	34,000	
	05/15/2018	Trading Buy	40,600	Rayence (228850)	01/25/2018	Buy	26,000
	11/15/2017	Trading Buy	46,000	05/03/2017	Buy	24,000	
	09/27/2017	Buy	51,000	04/11/2017	Buy	22,000	
	08/12/2017	Buy	67,000	Vatech (043150)	10/11/2018	Buy	43,000
	07/13/2017	Buy	75,000	07/17/2018	Buy	47,000	
	05/16/2017	Buy	81,000	05/03/2018	Buy	53,000	
	04/11/2017	Buy	83,000	02/08/2018	Buy	50,000	
	03/31/2016	No Coverage		01/24/2018	Buy	47,000	
Osstem Implant (048260)	08/12/2018	Buy	64,000	10/15/2017	Buy	36,000	
	05/08/2018	Trading Buy	60,000	04/11/2017	Buy	40,000	
	02/07/2018	Trading Buy	62,000	i-SENS (099190)	10/11/2018	Buy	29,000
	01/24/2018	Trading Buy	72,000	07/05/2018	Buy	30,000	
	11/15/2017	Trading Buy	84,000	04/18/2018	Buy	36,000	
	10/15/2017	Buy	79,000	02/05/2018	Buy	32,000	
	08/15/2017	Buy	75,000	10/17/2017	Buy	30,000	
	07/14/2017	Buy	72,000	08/02/2017	Buy	36,000	
	04/11/2017	Buy	66,000	04/11/2017	Buy	40,000	
	08/22/2016	No Coverage		08/22/2016	No Coverage		
InBody (041830)	08/12/2018	Buy	37,000				



Stock Ratings

- Buy : Relative performance of 20% or greater
- Trading Buy : Relative performance of 10% or greater, but with volatility
- Hold : Relative performance of -10% and 10%
- Sell : Relative performance of -10%

Industry Ratings

- Overweight : Fundamentals are favorable or improving
- Neutral : Fundamentals are steady without any material changes
- Underweight : Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (→), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

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

* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

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

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	73.40%	14.78%	11.82%	0.00%
Investment Banking Services	77.42%	9.68%	12.90%	0.00%

* Based on recommendations in the last 12-months (as of June 30, 2018)

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