

2018. 11. 15

# Company Update



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## AT A GLANCE

SELL HOLD **BUY**

**Target price** KRW27,000 (49.6%)

**Current price** KRW18,050

Market cap KRW210b/USD185.14m

Shares (float) 11,634,263 (46.6%)

52-week high/low KRW24,000/KRW14,800

Avg daily trading value (60-day) KRW0.5b/USD0.4m

## ONE-YEAR PERFORMANCE

	1M	6M	12M
SaraminHR (%)	6.5	-12.6	-12.4
Vs Kosdaq (%pts)	16.0	11.8	-1.3

## KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	27,000	27,000	0.0%
2018E EPS	1,390	1,260	10.3%
2019E EPS	1,651	1,630	1.3%

## SAMSUNG vs THE STREET

No of estimates	n/a
Target price	n/a
Recommendation	n/a

BUY★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★: 1

## SaraminHR (143240)

### Government agencies lead recruitment drive

- Sales at SaraminHR gained 7.5% y-y in 3Q on an increase in recruiting services for public agencies and on online portal ASP hikes, with operating profit growing 32.7% y-y thanks to reduced marketing costs.
- The government's push for jobs should lead to the creation of more permanent positions in 4Q, and continued ASP hikes and the introduction of paid services should drive up its online job portal sales growth to the mid-teen level next year.
- The shares are trading at a discount to its global peers due to concerns over the shrinking domestic job market. We believe that the shares have strong upside given the company's solid growth potential as an online job portal.

## WHAT'S THE STORY?

**3Q review:** SaraminHR reported that its 3Q sales rose 7.5% y-y (or down 4.2% q-q) to KRW20.8b, as: 1) online job portal sales hit KRW14.1b, up 16.6% after ASP hikes in February and increasing sales from recruiting services for public agencies; and 2) sales at SaraminHS (which runs an offline labor outsourcing business) fell 7.5% y-y to KRW6.7b amid an economic slowdown. Meanwhile, the firm's operating profit rose 32.7% y-y to KRW5.1b in 3Q amid rising job portal sales and falling TV ad-related marketing costs.

**Increasing recruitment of regular workers being led by government:** The government's drive to create more jobs has encouraged public agencies to expand their public recruitment of regular workers. Large conglomerates should also increase their recruitment efforts sharply in 2H (vs 2017 and 1H18). Accordingly, SaraminHR's recruiting service business is set to post significant y-y sales growth in 4Q.

**ASP hikes and job market recovery to bring about continued growth:** The firm's job portal sales growth recovered to a percentage in the mid-teens over 2Q-3Q thanks to ASP hikes in February. Although the overall job market is recovering slowly amid deteriorating economic conditions, we believe that the firm's sales will grow at a percentage in the mid-teens next year on the back of additional ASP hikes and the introduction of paid services.

(Continued on the next page)

## SUMMARY OF 3Q RESULTS

(KRWb)	3Q18	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	20.8	7.5	(4.2)	(14.9)	n/a
Operating profit	5.1	32.7	(12.8)	3.5	n/a
Pre-tax profit	5.7	20.9	(12.1)	8.5	n/a
Net profit	4.6	22.4	(11.5)	8.2	n/a
<b>Margins (%)</b>					
Operating profit	24.4				
Pre-tax profit	27.5				
Net profit	22.0				

Source: Company data, Samsung Securities estimates

## VALUATION SUMMARY

	2017	2018E	2019E
<b>Multiples (x)</b>			
P/E	62.6	13.0	10.9
P/B	2.6	2.2	1.8
EV/EBITDA	10.0	7.9	6.1
Div yield (%)	0.3	0.3	0.3
EPS growth (% y-y)	(68.3)	382.2	18.9
ROE (%)	4.6	20.4	20.3
<b>Per-share data (KRW)</b>			
EPS	288	1,390	1,651
BVPS	6,880	8,153	9,929
DPS	60	60	60

***Cheap given its sound growth potential:*** SaraminHR saw job portal sales growth slow in 1H amid a shrinking of the recruitment market for regular jobs—temporary workers were converted into permanent ones—but should start to recover in 2H given the government drive to create more permanent jobs. We expect sales and operating profit to grow a respective 9% and 17.9% y-y in 2019 amid a recovery in the regular job recruitment market and higher job portal ASPs. Still, the shares are trading at a forward P/E of only 10.9x due to job market concerns, an excessive discount in our view. We maintain BUY and our KRW27,000 target price (based on a 12-month forward P/E of 16.9x).

## 3Q review

(KRWb)	3Q18			Diff (%)		3Q17	2Q18	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
<b>Sales</b>	<b>20.8</b>	<b>24.5</b>	<b>n/a</b>	<b>(14.9)</b>	<b>n/a</b>	<b>19.4</b>	<b>21.7</b>	<b>7.5</b>	<b>(4.2)</b>
Portal	14.1	16.5		(14.6)		12.1	14.9	16.6	(5.2)
PC	9.4	10.7		(12.1)		9.0	9.9	4.4	(5.0)
Mobile	3.0	4.6		(34.4)		2.2	3.1	35.0	(2.5)
Other	1.7	1.3		35.9		0.9	1.9	94.4	(10.5)
Other	6.7	8.0		(15.5)		7.3	6.9	(7.5)	(2.0)
<b>Operating expenses</b>	<b>15.7</b>	<b>19.6</b>		<b>(19.6)</b>		<b>15.5</b>	<b>15.9</b>	<b>1.3</b>	<b>(1.0)</b>
Labor costs	12.0	15.0		(20.1)		5.2	11.7	132.3	2.4
Commission paid	1.0	0.9		12.9		0.5	0.9	113.2	11.5
Advertising expenses	0.9	1.8		(51.8)		1.5	1.3	(43.1)	(32.9)
Other	1.8	1.8		0.4		8.4	1.9	(78.3)	(6.5)
<b>Operating profit</b>	<b>5.1</b>	<b>4.9</b>	<b>n/a</b>	<b>3.5</b>	<b>n/a</b>	<b>3.8</b>	<b>5.8</b>	<b>32.7</b>	<b>(12.8)</b>
Pre-tax profit	5.7	5.3	n/a	8.5	n/a	4.7	6.5	20.9	(12.1)
Net profit	4.6	4.2	n/a	8.2	n/a	3.7	5.2	22.4	(11.5)
Attrib. to controlling interests	4.6	4.2	n/a	8.2	n/a	3.7	5.2	22.4	(11.5)
<b>Margins (%)</b>									
Operating profit	24.4	20.1	n/a			19.8	26.8		
Pre-tax profit	27.5	21.6	n/a			24.5	30.0		
Net profit	22.0	17.3	n/a			19.3	23.8		
Attrib. to controlling interests	22.0	17.3	n/a			19.3	23.8		

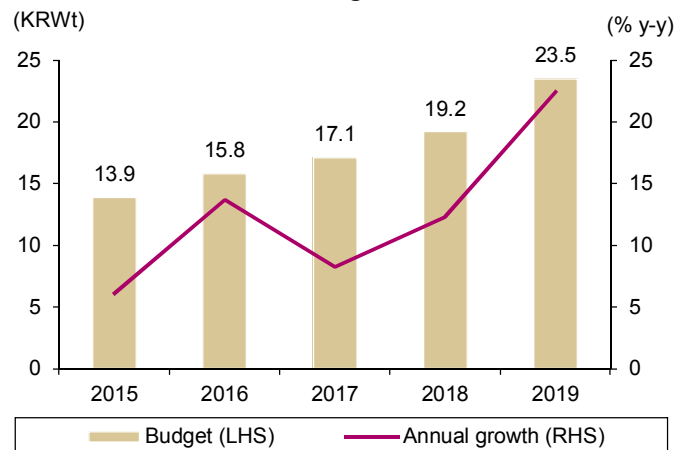
Source: Company data, WiseFn, Samsung Securities estimates

## Top five major conglomerates' recruiting status

('000 personnel)	2017	1H18	2H18E	2018E Chg (% y-y)	
Samsung	10.0	4.0	10.0	14.0	40.0
HMC	10.0	4.0	6.0	10.0	0.0
SK	8.2	3.4	5.0	8.4	2.4
LG	9.0	4.0	6.0	10.0	11.1
Lotte	13.0	6.0	7.0	13.0	0.0
Total	50.2	21.4	34.0	55.4	10.4

Source: Company data, local news

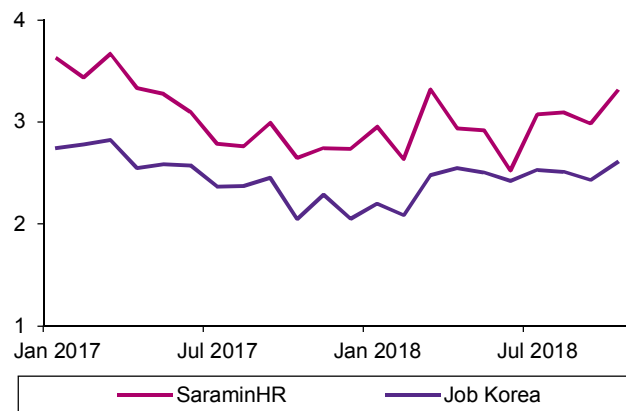
## Government recruitment budget



Source: Ministry of Economy and Finance

**Unique visitors: SaraminHR vs Job Korea**

(Millions of people)

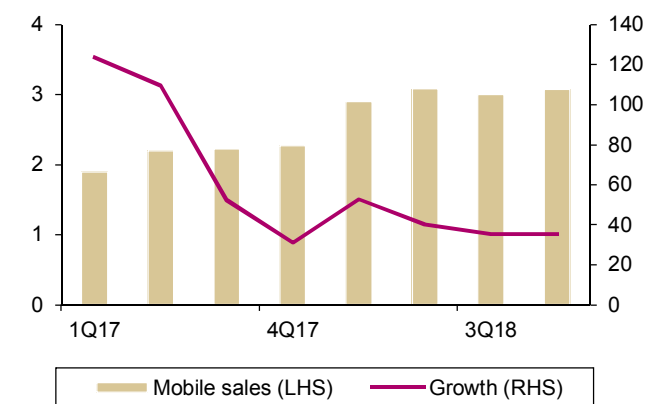


Note: Total numbers based on PC, mobile, and web  
 Source: Nielsen Korean Click, Samsung Securities

**Mobile sales**

(KRWb)

(% y-y)

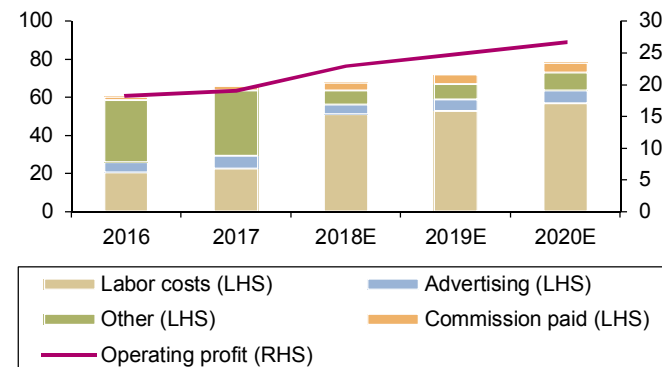


Source: Company data, Samsung Securities estimates

**Operating costs**

(KRWb)

(% )

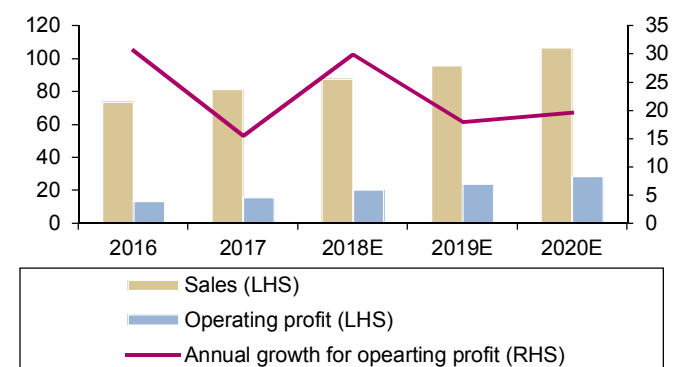


Source: Company data, Samsung Securities estimates

**Sales, operating profit, and margins**

(KRWb)

(% y-y)



Source: Company data, Samsung Securities estimates

**Peer valuations**

(x)	2018E	2019E
Recruit Holdings	29.0	24.7
Seek	30.3	28.0
<b>Average</b>	<b>29.7</b>	<b>26.4</b>
Discount (%)	36.0	36.0
<b>Target P/E</b>	<b>19.0</b>	<b>16.9</b>

Note: Based on Nov 14 close Source: Bloomberg, Samsung Securities estimates

**Valuation**

(KRW)	
<b>12 month forward EPS</b>	<b>1,612</b>
Target P/E (x)*	16.9
Fair value	27,224
<b>Target price</b>	<b>27,000</b>
Current price	18,050
Upside (%)	49.6

Note: Based on Nov 14 close; \*Discounted 36% to average 2019 P/E multiple at which global peers are trading  
 Source: Samsung Securities estimates

## Results and forecasts

(KRWb)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
<b>Sales</b>	<b>19.6</b>	<b>20.6</b>	<b>19.4</b>	<b>21.8</b>	<b>21.9</b>	<b>21.7</b>	<b>20.8</b>	<b>23.2</b>	<b>23.3</b>	<b>23.8</b>	<b>22.8</b>	<b>25.6</b>
Portal	12.3	13.2	12.1	14.9	12.9	14.9	14.1	16.6	14.5	16.9	16.0	18.9
PC	9.4	9.5	9.0	9.4	9.0	9.9	9.4	9.9	9.4	10.4	9.9	10.4
Mobile	1.9	2.2	2.2	2.3	2.9	3.1	3.0	3.1	3.9	4.3	4.1	4.3
Other	1.0	1.5	0.9	3.1	1.0	1.9	1.7	3.6	1.2	2.2	2.0	4.2
Other	7.2	7.3	7.3	7.0	9.0	6.9	6.7	6.6	8.8	6.9	6.8	6.8
<b>Operating expenses</b>	<b>16.7</b>	<b>15.7</b>	<b>15.5</b>	<b>17.9</b>	<b>18.2</b>	<b>15.9</b>	<b>15.7</b>	<b>17.8</b>	<b>17.3</b>	<b>17.4</b>	<b>17.5</b>	<b>19.7</b>
Labor costs	5.8	5.0	5.2	6.3	13.6	11.7	12.0	13.6	12.4	12.7	13.0	14.7
Commission paid	0.5	0.6	0.5	0.5	0.8	0.9	1.0	1.2	1.2	1.2	1.1	1.3
Advertising expenses	2.0	1.4	1.5	1.8	2.0	1.3	0.9	1.0	1.6	1.4	1.4	1.5
Other	8.5	8.6	8.4	9.3	1.8	1.9	1.8	2.0	2.0	2.1	2.0	2.2
<b>Operating profit</b>	<b>2.8</b>	<b>4.9</b>	<b>3.8</b>	<b>3.9</b>	<b>3.8</b>	<b>5.8</b>	<b>5.1</b>	<b>5.4</b>	<b>6.1</b>	<b>6.4</b>	<b>5.3</b>	<b>5.9</b>
Pre-tax profit	3.3	5.0	4.7	(8.7)	4.3	6.5	5.7	5.7	6.5	6.9	5.7	6.4
Net profit	2.6	4.0	3.7	(7.0)	2.6	5.2	4.6	4.5	5.1	5.5	4.5	5.1
Attrib. to controlling interests	2.6	4.0	3.7	(7.0)	2.6	5.2	4.6	4.5	5.1	5.5	4.5	5.1
Adjusted EPS (KRW)*	226	375	285	(599)	223	440	352	375	420	447	371	414
<b>Margins (%)</b>												
Operating profit	14.5	23.7	19.8	17.9	17.2	26.8	24.4	23.2	26.0	27.0	23.2	23.0
Pre-tax profit	16.8	24.5	24.5	(39.8)	19.7	30.0	27.5	24.7	27.8	29.2	25.2	25.0
Net profit	13.5	19.5	19.3	(31.9)	11.8	23.8	22.0	19.5	21.9	23.0	19.9	19.7
Attrib. to controlling interests	13.5	19.5	19.3	(31.9)	11.8	23.8	22.0	19.5	21.9	23.0	19.9	19.7

Note: \*Fully diluted, excluding one-off items; K-IFRS consolidated

Source: Company data, Samsung Securities estimates

## Revisions to full-year forecasts

(KRWb)	2018E			2019E			2020E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
<b>Sales</b>	<b>90.9</b>	<b>87.7</b>	<b>(3.6)</b>	<b>102.1</b>	<b>95.5</b>	<b>(6.4)</b>	<b>114.2</b>	<b>106.4</b>	<b>(6.8)</b>
Portal	59.0	58.4	(0.9)	69.3	66.2	(4.4)	80.2	76.0	(5.2)
PC	39.7	38.2	(3.9)	43.1	40.1	(6.8)	46.7	42.6	(8.7)
Mobile	12.8	12.1	(5.6)	18.1	16.6	(8.2)	24.6	22.4	(9.0)
Other	6.5	8.2	26.1	8.1	9.5	17.0	8.8	11.0	24.4
Other	31.9	29.3	(8.4)	32.8	29.3	(10.7)	34.0	30.4	(10.6)
<b>Operating expenses</b>	<b>73.2</b>	<b>67.6</b>	<b>(7.6)</b>	<b>80.1</b>	<b>71.9</b>	<b>(10.3)</b>	<b>86.4</b>	<b>78.1</b>	<b>(9.5)</b>
Labor costs	57.5	51.0	(11.4)	61.4	52.8	(14.1)	65.4	56.8	(13.1)
Commission paid	3.4	4.0	15.6	3.9	4.8	24.2	4.3	5.3	23.7
Advertising expenses	6.3	5.2	(18.4)	7.5	6.0	(20.0)	8.3	6.6	(20.3)
Other	5.9	7.5	26.6	7.4	8.4	12.7	8.3	9.3	12.8
<b>Operating profit</b>	<b>17.7</b>	<b>20.1</b>	<b>13.2</b>	<b>22.0</b>	<b>23.7</b>	<b>7.8</b>	<b>27.9</b>	<b>28.3</b>	<b>1.6</b>
Pre-tax profit	19.4	22.3	15.0	23.4	25.6	9.2	29.3	30.6	4.2
Net profit	14.6	16.9	15.1	18.7	20.2	7.8	23.5	24.2	2.9
Attrib. to controlling interests	14.6	16.9	15.1	18.7	20.2	7.8	23.5	24.2	2.9
Adjusted EPS (KRW)*	1,260	1,390	10.2	1,630	1,651	1.3	2,063	1,990	(3.5)
<b>Margins (%)</b>									
Operating profit	19.5	22.9		21.5	24.8		24.4	26.6	
Pre-tax profit	21.3	25.4		22.9	26.8		25.7	28.7	
Net profit	16.1	19.2		18.4	21.1		20.5	22.7	
Attrib. to controlling interests	16.1	19.2		18.4	21.1		20.5	22.7	

Note: \*Fully diluted, excluding one-off items; K-IFRS consolidated

Source: Company data, Samsung Securities estimates

## Income statement

Year-end Dec 31 (KRWb)	2016	2017	2018E	2019E	2020E
<b>Sales</b>	<b>74</b>	<b>81</b>	<b>88</b>	<b>96</b>	<b>106</b>
Cost of goods sold	28	29	0	0	0
<b>Gross profit</b>	<b>46</b>	<b>53</b>	<b>88</b>	<b>96</b>	<b>106</b>
Gross margin (%)	61.9	64.7	100.0	100.0	100.0
SG&A expenses	32	37	68	72	78
<b>Operating profit</b>	<b>13</b>	<b>15</b>	<b>20</b>	<b>24</b>	<b>28</b>
Operating margin (%)	18.2	19.0	22.9	24.8	26.6
<b>Non-operating gains (losses)</b>	<b>(1)</b>	<b>(11)</b>	<b>2</b>	<b>2</b>	<b>2</b>
Financial profit	0	1	1	1	1
Financial costs	0	0	0	(0)	(0)
Equity-method gains (losses)	(1)	2	1	1	1
Other	(0)	(14)	0	0	0
<b>Pre-tax profit</b>	<b>13</b>	<b>4</b>	<b>22</b>	<b>26</b>	<b>31</b>
Taxes	2	1	5	5	6
Effective tax rate (%)	19.0	21.7	24.4	21.0	21.0
Profit from continuing operations	10	3	17	20	24
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>10</b>	<b>3</b>	<b>17</b>	<b>20</b>	<b>24</b>
Net margin (%)	14.1	4.2	19.2	21.1	22.7
Net profit (controlling interests)	10	3	17	20	24
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	15	18	22	26	31
EBITDA margin (%)	20.5	21.7	25.2	27.2	29.0
EPS (parent-based) (KRW)	896	293	1,449	1,736	2,076
EPS (consolidated) (KRW)	896	293	1,449	1,736	2,076
Adjusted EPS (KRW)*	909	288	1,390	1,651	1,990

## Cash flow statement

Year-end Dec 31 (KRWb)	2016	2017	2018E	2019E	2020E
<b>Cash flow from operations</b>	<b>13</b>	<b>16</b>	<b>6</b>	<b>22</b>	<b>26</b>
Net profit	10	3	17	20	24
Non-cash profit and expenses	5	14	6	7	8
Depreciation	1	1	1	1	1
Amortization	1	1	1	1	1
Other	3	12	4	4	5
Changes in A/L from operating activities	(1)	0	(14)	(0)	(0)
<b>Cash flow from investments</b>	<b>(0)</b>	<b>(24)</b>	<b>(0)</b>	<b>(7)</b>	<b>(8)</b>
Change in tangible assets	(3)	(1)	(1)	(2)	(2)
Change in financial assets	(8)	(22)	1	(5)	(5)
Other	11	(2)	(1)	(1)	(1)
<b>Cash flow from financing</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
Change in debt	0	0	0	0	0
Change in equity	45	0	0	0	0
Dividends	(1)	(1)	(1)	(1)	(1)
Other	(45)	0	(0)	0	0
Change in cash	12	(10)	3	12	15
Cash at beginning of year	6	18	8	12	23
Cash at end of year	18	8	12	23	38
<b>Gross cash flow</b>	<b>15</b>	<b>18</b>	<b>23</b>	<b>27</b>	<b>32</b>
<b>Free cash flow</b>	<b>10</b>	<b>15</b>	<b>5</b>	<b>21</b>	<b>25</b>

Note: \* Excluding one off items, \*\* Fully diluted, excluding one-off items

\*\*\* From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

## Balance sheet

Year-end Dec 31 (KRWb)	2016	2017	2018E	2019E	2020E
<b>Current assets</b>	<b>30</b>	<b>40</b>	<b>45</b>	<b>62</b>	<b>83</b>
Cash & equivalents	18	8	12	23	38
Accounts receivable	6	6	6	7	8
Inventories	0	0	0	0	0
Other current assets	6	26	27	32	37
<b>Fixed assets</b>	<b>53</b>	<b>57</b>	<b>56</b>	<b>60</b>	<b>64</b>
Investment assets	35	38	40	43	47
Tangible assets	10	10	10	10	11
Intangible assets	6	4	4	4	3
Other long-term assets	2	5	2	2	2
<b>Total assets</b>	<b>83</b>	<b>98</b>	<b>101</b>	<b>122</b>	<b>146</b>
<b>Current liabilities</b>	<b>9</b>	<b>22</b>	<b>12</b>	<b>13</b>	<b>14</b>
Accounts payable	0	0	0	0	0
Short-term debt	0	0	0	0	0
Other current liabilities	9	22	12	13	14
<b>Long-term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0
<b>Total liabilities</b>	<b>9</b>	<b>22</b>	<b>12</b>	<b>13</b>	<b>14</b>
<b>Owners of parent equity</b>	<b>74</b>	<b>76</b>	<b>90</b>	<b>109</b>	<b>133</b>
Capital stock	6	6	6	6	6
Capital surplus	39	39	39	39	39
Retained earnings	35	37	51	70	94
Other	(7)	(7)	(6)	(6)	(6)
<b>Non-controlling interests' equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total equity</b>	<b>74</b>	<b>76</b>	<b>90</b>	<b>109</b>	<b>133</b>
Net debt	(23)	(34)	(36)	(52)	(71)

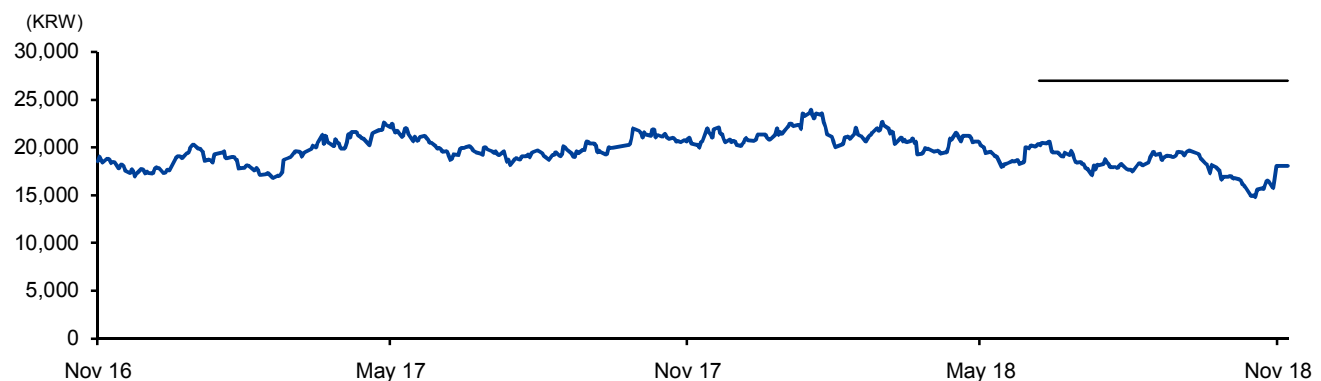
## Financial ratios

Year-end Dec 31	2016	2017	2018E	2019E	2020E
<b>Growth (%)</b>					
Sales	nm	10.4	7.8	9.0	11.4
Operating profit	nm	15.4	29.9	17.9	19.6
Net profit	nm	(67.3)	394.4	19.8	19.5
Adjusted EPS**	nm	(68.3)	382.2	18.9	20.5
<b>Per-share data (KRW)</b>					
EPS (parent-based)	896	293	1,449	1,736	2,076
EPS (consolidated)	896	293	1,449	1,736	2,076
Adjusted EPS**	909	288	1,390	1,651	1,990
BVPS	6,702	6,880	8,153	9,929	12,063
DPS (common)	120	60	60	60	60
<b>Valuations (x)</b>					
P/E***	19.9	62.6	13.0	10.9	9.1
P/B***	2.7	2.6	2.2	1.8	1.5
EV/EBITDA	12.4	10.0	7.9	6.1	4.5
<b>Ratios (%)</b>					
ROE	14.1	4.6	20.4	20.3	20.0
ROA	12.6	3.8	16.9	18.1	18.0
ROIC	70.4	82.9	126.4	132.6	153.9
Payout ratio	12.7	19.4	3.9	3.3	2.7
Dividend yield (common)	0.7	0.3	0.3	0.3	0.3
Net debt to equity	(31.8)	(44.3)	(40.0)	(47.3)	(53.6)
Interest coverage (x)	26,572.0	966,215.4	2,714.2	n/a	n/a

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## Target price changes in past two years



## Rating changes over past two years (adjusted share prices)

Date 2018/6/20  
 Recommendation BUY  
 Target price (KRW) 27,000  
 Gap\* (average)  
 (max or min)\*\*

Note: \* [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%  
 \*\* Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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**BUY** Expected to increase in value by 10% or more within 12 months and is highly attractive within sector  
**HOLD** Expected to increase/decrease in value by less than 10% within 12 months  
**SELL** Expected to decrease in value by 10% or more within 12 months

### Industry

**OVERWEIGHT** Expected to outperform market by 5% or more within 12 months  
**NEUTRAL** Expected to outperform/underperform market by less than 5% within 12 months  
**UNDERWEIGHT** Expected to underperform market by 5% or more within 12 months

## Percentage of ratings in 12 months prior to Sep 30, 2018

BUY (85%) | HOLD (15%) | SELL (0%)

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