

# NICE TCM (063570.KQ)

## Unmanned automation to drive growth in 2019

Company Comment | Jan 4, 2019

With the domestic minimum wage climbing 10.9% y-y in 2019, the trend towards unmanned services is likely to sustain. Through actively investing in its unmanned system businesses, NICE TCM should overcome the recently stagnant growth of its ATM management and CD VAN service businesses.

### Unmanned parking lot business to expand

From Jan 1, the domestic minimum wage has risen to W8,350/hour (+10.9% y-y). With the minimum wage climbing by 29% over 2017~2019, demand for unmanned systems appears set to expand.

Utilizing its existing CD VAN and ATM management personnel, NICE TCM is actively expanding its unmanned parking lot and unmanned automated system businesses. In addition to new buildings, existing buildings are increasingly being equipped with unmanned parking lot systems. Among building owners, interest in unmanned parking lots is picking up as a solid source of revenue.

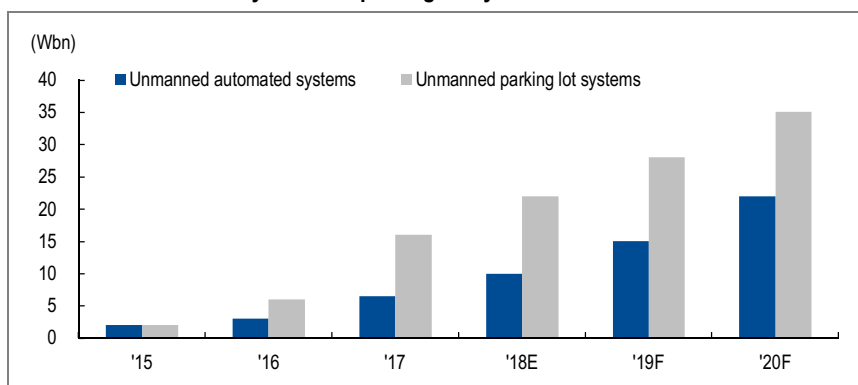
The number of unmanned parking lots under NICE TCM's management is estimated to have increased from 240 in 2017 to 430 in 2018. In 2019, we expect the number to rise to 900, backed by increased sales personnel and greater investment. While the parking lot business generated just W2bn in sales in 2015, the figure rose to W16bn in 2017, and should further improve to W22bn in 2018 and W28bn in 2019.

### Differentiating unmanned automated services through rentals

The use of unmanned automated systems is on the rise, especially in the F&B market. While many small firms are already actively providing unmanned systems for F&B players, we note that the barrier to market entry is low and NICE TCM boasts differentiating factors, such as after-sales and rental services.

While the company's unmanned automated system sales stood at just W6.5bn in 2017, we estimate 2018 sales at W10bn and 2019 sales at W15bn.

### Unmanned automated system and parking lot system sales



Source: NICE TCM, NH I&S Research Center estimates

## Not Rated

CP (2019/01/03) **W8,810**

Sector	Service
Kospi/Kosdaq	1,993.70 / 657.02
Market cap (common)	US\$270.88mn
Outstanding shares (common)	34.6mn
52W high ('18/04/12)	W14,650
low ('18/12/27)	W8,760
Average trading value (60D)	US\$2.15mn
Dividend yield (2018E)	1.22%
Foreign ownership	7.3%

Major shareholders	
NICE Holdings	35.3%
BGF Networks	12.5%

Share perf	3M	6M	12M
Absolute (%)	-32.7	-28.7	-29.8
Relative (%)p	-18.6	-13.6	-12.1

	2017	2018E	2019F	2020F
<b>Sales</b>	241.0	291.2	307.5	329.4
<b>Chg</b>	11.9	20.8	5.6	7.1
<b>OP</b>	21.1	26.2	28.3	32.4
<b>OPM</b>	8.7	9.0	9.2	9.8
<b>NP</b>	15.5	19.2	19.9	23.3
<b>EPS</b>	596	567	575	672
<b>Chg</b>	16.6	-4.9	1.4	16.9
<b>P/E</b>	20.8	15.9	15.3	13.1
<b>P/B</b>	2.7	2.3	2.0	1.8
<b>EV/EBITDA</b>	7.6	6.1	5.7	5.0
<b>ROE</b>	13.5	14.9	13.7	14.2
<b>Debt/equity</b>	142.7	146.6	138.3	130.8
<b>Net debt</b>	-32.1	-53.5	-87.9	-121.7

Units: Wbn, %, won, x

Note 1: NP excludes minority interests

2: EPS, P/E, P/B, and ROE based on NP (excl minority interests)

Source: NH I&S Research Center estimates



**Midas Sohn, Analyst**

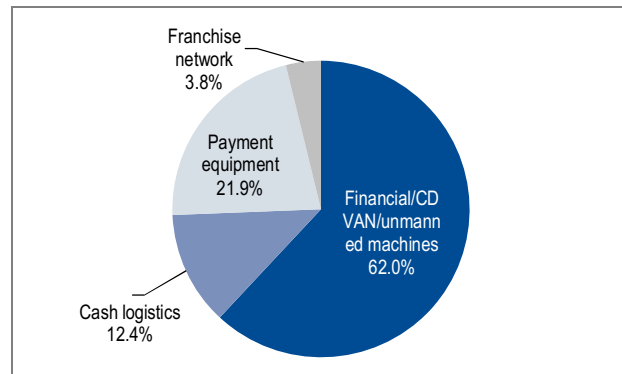
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## Company overview

- NICE TCM has been a leading player in the domestic bank ATM management and CD VAN services markets. The firm operates a nationwide network of 28 after-sales service centers and employs 1,200 workers. Due to the comprehensive scope of ATM management, including dealing with ATM machine errors, cash transportation (for ATMs), cash settlement, and security system management, banks are opting to outsource the work to external service providers (outsourcing portion stands at 18%).
- Managing 6,000 bank ATM sites, NICE TCM has a 62% share of the domestic (outsourced) bank ATM management market, followed by Hyosung (22%), S-1 (11%), and KFS (8%).
- Cash dispensers are usually installed in places such as subway stations and CVSs where traffic is high. As a machine operator, NICE TCM receives 84% of transaction commissions (with the remaining 14% taken by banks). The company operates 8,705 cash machines across the nation, representing 24% of the domestic market by sales. Major competitors are BGF (23% M/S), Hyosung (21%), Lotte (16%), Hannet (11%), and Chungho (4%).

### Sales breakdown

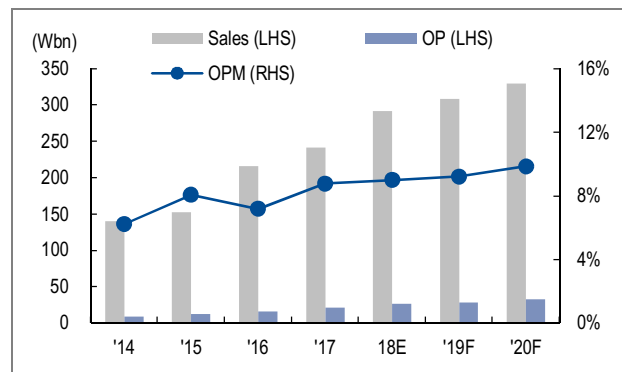
- In 1H18, sales broke down into: 1) financial services/CD VAN/unmanned machines (62%); 2) cash logistics (including transportation; 12.4%); 3) payment equipment (21.9%); and 4) franchise networks (3.8%)
- Taking advantage of its knowhow in unmanned machine management systems, the firm has entered the kiosk and unmanned parking lot management system arenas



Note: 3Q18 YTD; Source: NICE TCM, NH I&S Research center

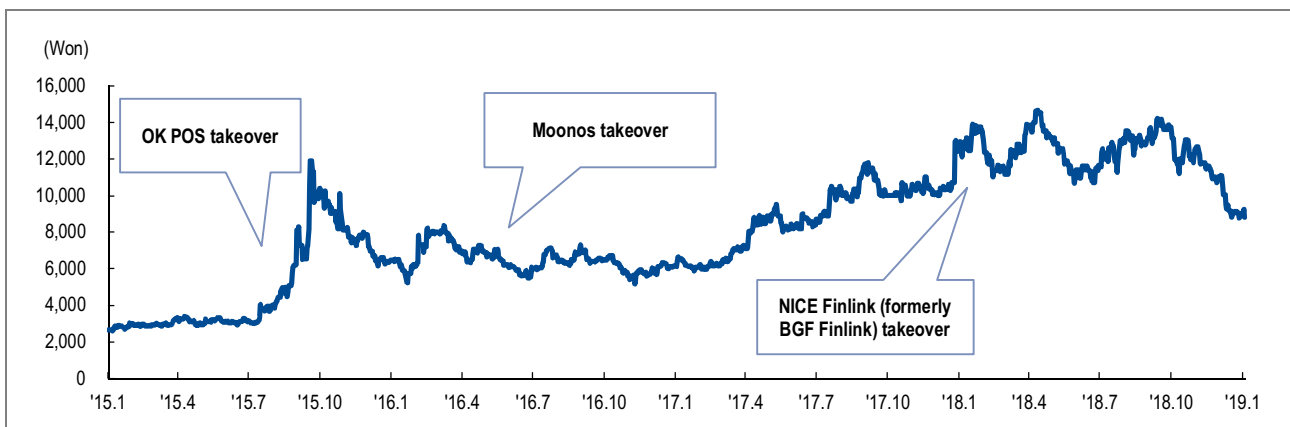
### Earnings

- Following a takeover in 2017, earnings at BGF Finlink (renamed NICE Finlink) have been reflected in NICE TCM's consolidated earnings since 3Q17
- NICE Finlink booked 2017 sales of W44.8bn, OP of W5.7bn, and NP of W4.5bn



Source: NICE TCM, NH I&S Research center estimates

### Share performance and major events



Source: DataGuide, NH I&S Research Center estimates

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1. Rating based on a stock's forecasted absolute return over a period of 12 months from the date of publication.

- Buy: Greater than +15%
- Hold: -15% to +15%
- Sell: Less than -15%

2. Regarding listed companies under NH I&S' coverage, our stock ratings break down as follows (as of Dec 28, 2018).

- NH I&S' stock rating distribution

Buy	Hold	Sell
81.8%	18.2%	0.0%

- The stock rating on an individual company can change at irregular intervals. Our stock rating distribution is calculated on a weekly basis.

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