

Wemade Entertainment (112040 KS)

Lawsuit win brings spotlight to IP value

BUY (MAINTAIN)

Price (Jan. 4) W35,150
Target Price W45,000
% variance 28.0%

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KOSPI 2,010.25p
KOSDAQ 664.49p
Market Cap. W590.5bn/ US\$18.0mn
Par Value W500
Outstanding Shares 16.8mn
Free Floating Shares 8.5mn(50.6%)
52-Week High/Low W60,000/W19,900
60-Day Avg. Trading Volume 160,782shrs
60-Day Avg. Trading T/O W4,313mn
Foreign Ownership 4.27%

Major Shareholders
Gwan-Ho Park and 2 others 47.00%
KB Asset Management 6.33%

Absolute Performance 3M 22.5%
6M -23.1%
12M -29.7%
Relative performance 3M 45.4%
to KOSDAQ 6M -7.5%
12M -14.5%

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- ♦ Favorable court ruling in China boosts expectations for IP licensing deals
- ♦ Rising joint-venture expectations with resumption of game license approvals and lawsuit win
- ♦ Retain BUY and upgrade target price to W45,000

Favorable court ruling in China boosts expectations for IP licensing deals

Wemade Entertainment won a copyright infringement lawsuit it had filed against Chinese company 37Games. Wemade Entertainment claimed 37Games' web game Legend of Dominance Tour infringed the intellectual property (IP) right of The Legend of Mir 2. According to the ruling, 37Games has to stop the service of Legend of Dominance Tour and discard all related data. There is a high possibility that it will obtain an official license. An appeal may be filed by end-January, but the ruling is unlikely to be overturned given China's commitment to strengthening copyright protection.

Aside from Legend of Dominance Tour (web game) which has been in service for four years, four other games (three mobile games) also use the IP of The Legend of Mir 2. The web games racked up W1.7tr and the mobile games W1.6tr in sales over the past four years. Legend of Dominance Tour is 37Games' top-grossing game. We believe a considerable portion of sales is generated from The Legend of Mir 2 IP. 37Games is expected to push for negotiations with Wemade Entertainment for an official license. It is estimated to bring in a lump-sum royalty of more than W100bn for the company.

Rising joint-venture expectations with resumption of game license approvals and lawsuit win

Wemade Entertainment is now in an advantageous position in other litigations, as the Chinese court has acknowledged that The Legend of Mir 2 IP belongs to Wemade Entertainment and that Shanda Games' practice of issuing sub-licenses was unlawful. The resolution of litigations against Kingnet Network (final ruling expected in 1Q19, requested about W240bn in damage compensation) and Shanda Games (closing argument in 3Q19, final ruling expected at end-2019) should provide share price momentum.

Wemade Entertainment shares have tumbled with prolonged delays in joint-venture deals for The Legend of Mir 2 IP in China. Games regulations in China and litigation issues appear to have been a drag on the progress. Expectations are rising again with the resumption of game license approvals signaling deregulation and favorable court ruling removing risks.

Year to Dec.	Sales (W bn)	OP (W bn)	Pre-tax (W bn)	NP (W bn)	EPS (Won)	Growth (%)	BPS (Won)	PER (X)	EV/EBITDA (X)	PBR (X)	ROE (%)	Net Debt to Equity Ratio (%)
2016	108.0	4.1	(88.6)	(71.0)	(4,224)	R	17,494	(5.3)	28.2	1.3	(21.7)	(23.6)
2017	109.6	6.0	14.5	9.7	580	TB	17,623	87.0	53.6	2.9	3.3	(68.5)
2018F	121.1	0.4	8.1	9.8	581	0.2	17,618	44.7	48.0	1.5	3.3	(64.4)
2019F	140.7	6.0	12.9	13.8	821	41.5	17,853	42.8	41.5	2.0	4.6	(57.1)
2020F	147.8	10.8	17.7	19.0	1,128	37.4	18,396	31.2	28.7	1.9	6.2	(58.0)

Source: Company data, Shinhan Investment

Retain BUY and upgrade target price to W45,000

We revise up our target price for Wemade Entertainment to W45,000. We reduced the 70% discount applied for delays in joint ventures to 50% with the resumption of game license approvals in China and winning of the lawsuit. IP-related momentum will pick up in 2019 in view of a potential licensing contract with 37Games and court rulings on the lawsuits against Kingnet Network and Shanda Games. The upcoming release of new games, including Icarus M in Japan and Taiwan (1Q19) and The Legend of Mir 4 (1H19), is also positive.

4Q18 preview

(bn KRW)	4Q18F	3Q18	% QoQ	4Q17	% YoY	Consensus
Sales	26.4	31.8	(16.9)	29.1	(9.4)	28.3
OP	(2.8)	(4.4)	N	5.4	TN	(1.2)
NP	(1.7)	(3.8)	N	3.3	TN	(3.0)
OPM (%)	(10.4)	(13.9)		18.6		(4.2)
NPM (%)	(6.6)	(11.8)		11.3		(10.6)

Source: Company data, Shinhan Investment Corp.

Sum-of-the-parts valuation

(bn KRW)	Value	Remarks
Fair enterprise value (A = B+C)	761.5	
Operating value of mobile games (B = axb)	61.5	
Operating profit of mobile games (a)	6.8	Operating profit margin assumed to be 10%
Target PER (b)	9.0	Average PER of companies with less popular mobile games
Asset value (C = D+E)	700	
Value of stake in ChuanQi IP (D)	550	
IP value	1,100	ChuanQi IP valued at US\$1bn (based on MOU)
Discount rate (%)	50	70% discount applied for delays in JV reduced to 50% with the resumption of game license approvals in China and lawsuit win
Cash holdings (E)	150.0	
Total outstanding shares (F)	16,800,000	
Fair price (A/F; KRW)	45,326	
Target price (KRW)	45,000	
Current price (KRW)	35,150	
Upside (%)	28.0	

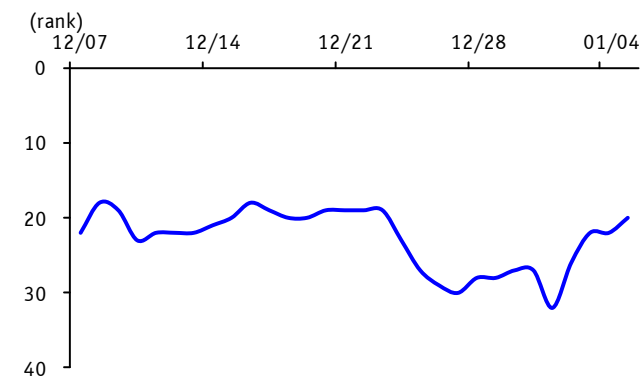
Source: Shinhan Investment Corp.

Earnings forecast revision

(bn KRW)	2018F			2019F		
	Before	After	Change (%)	Before	After	Change (%)
Sales	121.7	121.1	(0.5)	130.5	140.7	7.8
OP	0.4	0.4	(8.3)	4.6	6.0	30.9
NP	9.8	9.8	(0.5)	12.7	13.8	8.7

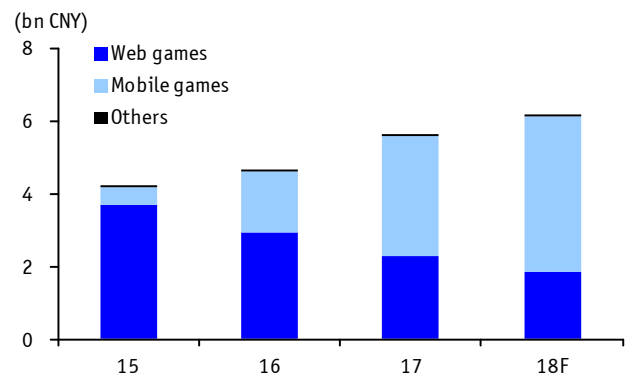
Source: Shinhan Investment Corp.

The Legend of Mir 2 Reboot's gross sales ranking in Korea (Google Play)



Source: App Annie, Shinhan Investment Corp.

Game sales breakdown of 37Games



Source: Company data, Shinhan Investment Corp.

Note: 2018 sales are double the sales of 1H18

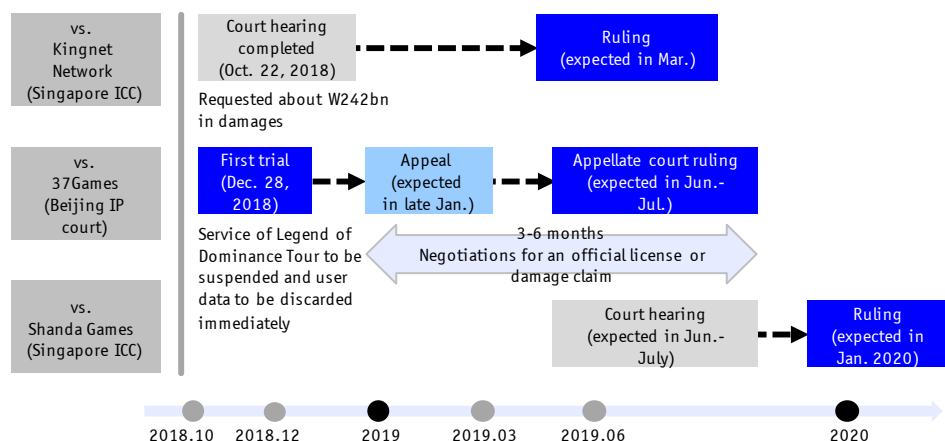
Top 10 grossing web games in China

	2015	2016	2017	1Q18	2Q18	3Q18
1	传奇霸业	传奇霸业	蓝月传奇	蓝月传奇	太极崛起	蓝月传奇
2	天书世界	九阴绝学	传奇霸业	传奇世界	蓝月传奇	灭神
3	大天使之剑	蓝月传奇	传奇盛世	太极崛起	传奇世界	血盟荣耀
4	烈焰	传奇盛世	大天使之剑	传奇霸业	传奇霸业	传奇霸业
5	雷霆之怒	大天使之剑	盗墓笔记	金装传奇	天剑狂刀	传奇世界
6	魅影传说	剑雨江湖	传奇世界	攻沙	金装传奇	太极崛起
7	花千骨	盗墓笔记	神仙劫	传奇盛世	大天使之剑	红月传说
8	斩龙传奇	决战武林	龙神契约	魔域永恒	攻沙	天剑狂刀
9	赤月传说	武神赵子龙	攻沙	大天使之剑	魔域永恒	大天神
10	七杀	魔法王座	九阴绝学	剑灵洪门崛起	传奇盛世	金装传奇

Source: 9k9k.com, Shinhan Investment Corp.

Note: Marked are games based on the IP of The Legend of Mir 2

Litigations related to The Legend of Mir 2 IP



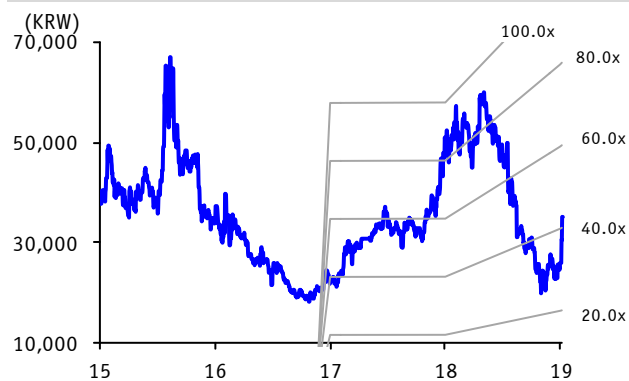
Source: Shinhan Investment Corp.

Earnings trend and outlook

(bn KRW, %)	1Q18	2Q18	3Q18	4Q18F	1Q19F	2Q19F	3Q19F	4Q18F	2017	2018F	2019F
Sales	35.1	27.8	31.8	26.4	28.5	37.6	37.0	37.6	109.6	121.1	140.7
(% QoQ)	20.4	(20.9)	14.5	(16.9)	7.8	32.2	(1.7)	1.7			
(% YoY)	3.7	25.2	30.4	(9.4)	(18.9)	35.5	16.4	42.5	21.7	10.5	16.2
PC online games	3.7	3.9	4.1	3.9	3.8	3.8	3.7	3.7	23.8	15.5	15.0
Mobile games	6.1	7.9	14.2	9.6	10.9	19.3	19.1	19.0	29.2	37.9	68.3
License revenue	25.2	15.6	13.0	12.5	13.3	14.1	13.6	14.3	56.0	66.2	55.2
SG&A	27.6	27.7	36.2	29.2	30.3	35.4	34.5	34.5	103.6	120.7	134.7
Labor costs	12.6	13.5	14.0	13.9	14.2	14.2	14.3	14.4	48.2	54.0	57.1
Paid commissions	11.0	8.9	11.4	8.8	9.2	12.7	12.5	12.6	28.0	40.1	47.0
Advertising costs	0.7	1.8	6.5	1.8	2.4	4.0	3.0	2.8	11.4	10.8	12.2
Depreciation costs	1.3	1.2	1.1	1.3	1.2	1.2	1.3	1.3	6.3	5.0	5.1
Others	2.1	2.2	3.2	3.4	3.3	3.3	3.3	3.4	9.7	10.9	13.4
OP	7.5	0.1	(4.4)	(2.8)	(1.8)	2.2	2.5	3.1	6.0	0.4	6.0
OPM (%)	21.2	0.3	(13.9)	(10.4)	(6.4)	5.9	6.7	8.3	5.5	0.3	4.3
(% QoQ)	37.5	(98.9)	TN	N	N	TP	10.6	26.4			
(% YoY)	210.8	TP	TN	TN	TN	2580.3	TP	TP	TP	(93.9)	1541.6
Pre-tax profit	8.2	6.6	(5.7)	(1.0)	(0.1)	4.0	4.2	4.9	14.5	8.1	12.9
Corporate taxes	3.7	5.1	1.7	(0.2)	(0.0)	1.0	1.0	1.2	15.4	10.3	3.1
NP of controlling interests	9.4	5.8	(3.8)	(1.7)	1.9	5.0	5.2	1.7	9.5	9.8	13.8
NPM of controlling interests (%)	26.9	20.9	(11.8)	(6.6)	6.6	13.3	14.0	4.5	8.6	8.1	9.8

Source: Company data, Shinhan Investment Corp.

12-month forward PER



Source: Bloomberg, Shinhan Investment Corp.

12-month forward PBR



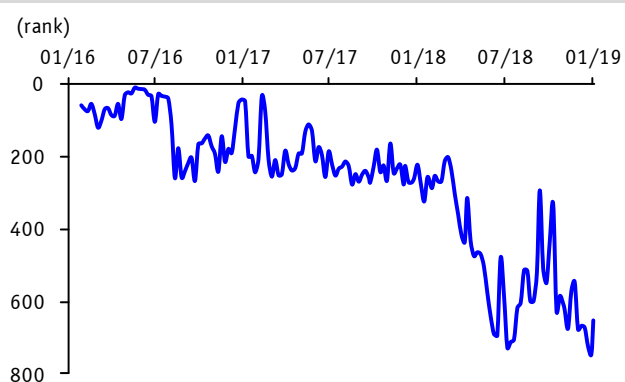
Source: Bloomberg, Shinhan Investment Corp.

New game release schedule

4Q18	2019
The Legend of Mir 2 Reboot (Korea; IP deal sealed for launch in November)	Icarus M (Japan/Taiwan, 1Q19) The Legend of Mir 4 (Korea, MMORPG, 1H19) Mir M (Korea, MMORPG, 2H19) Mir W (Korea, under development by nDreams, 2H19-1H20)

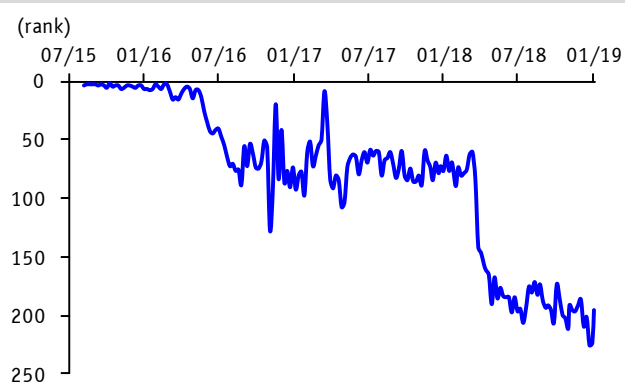
Source: Company data, Shinhan Investment Corp.

Shabake ChuanQi's gross sales ranking in China (iOS)



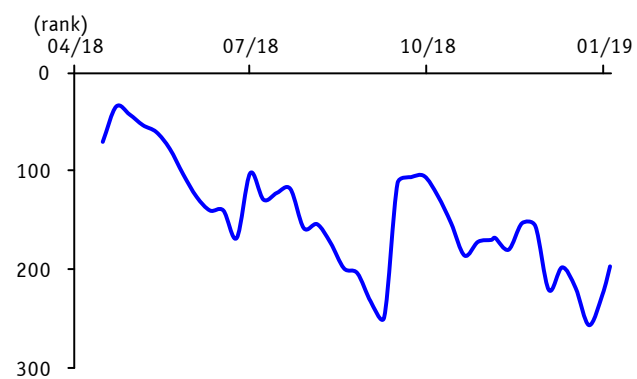
Source: App Annie, Shinhan Investment Corp.

Rexue ChuanQi's gross sales ranking in China (iOS)



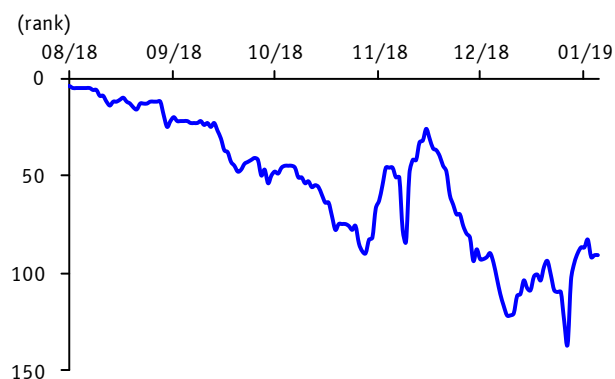
Source: App Annie, Shinhan Investment Corp.

Fishing Strike's gross sales ranking in Korea (Google Play)



Source: App Annie, Shinhan Investment Corp.

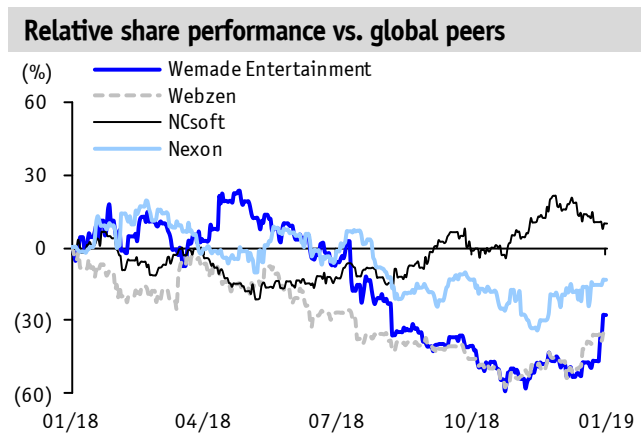
Icarus M's gross sales ranking in Korea (Google Play)



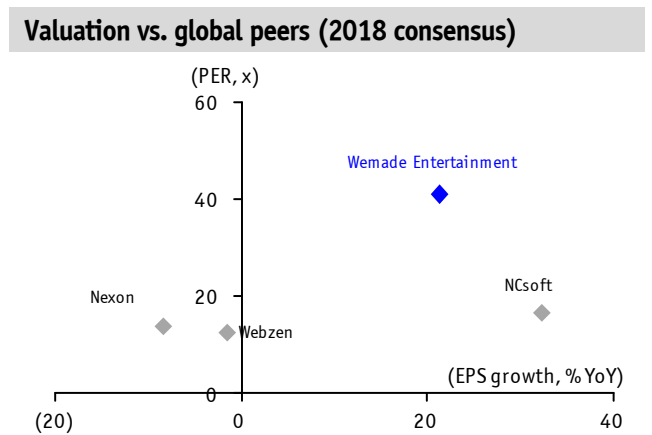
Source: App Annie, Shinhan Investment Corp.

Global peer valuation							
Ticker		112040 KS	036570 KS	078340 KS	069080 KS	063080 KS	3659 JT
Company		Wemade Entertainment	NCsoft	Com2uS	Webzen	Gamevil	NEXON
Market cap. (bn KRW)		590.5	10,179.7	1,609.6	759.2	343.6	13,337.3
Sales	2018F	123.1	1,722.4	490.1	236.5	116.5	2,637.8
(bn KRW)	2019F	142.4	2,076.3	623.1	239.1	158.5	2,815.6
	2020F	152.1	2,493.0	704.5	252.4	175.1	2,912.7
OP	2018F	1.6	634.7	155.4	79.1	(11.4)	1,067.9
(bn KRW)	2019F	10.4	804.1	209.7	75.4	6.1	1,154.3
	2020F	16.6	1,028.1	236.2	85.6	15.3	1,212.6
OPM	2018F	1.3	36.9	31.7	33.4	(9.8)	40.5
(%)	2019F	7.3	38.7	33.7	31.5	3.8	41.0
	2020F	10.9	41.2	33.5	33.9	8.7	41.6
NP	2018F	11.7	460.0	136.6	61.7	14.3	1,025.9
(bn KRW)	2019F	14.4	611.5	172.1	60.3	32.3	933.4
	2020F	21.3	770.6	198.1	69.3	42.8	942.6
NPM	2018F	9.5	26.7	27.9	26.1	12.3	38.9
(%)	2019F	10.1	29.5	27.6	25.2	20.4	33.2
	2020F	14.0	30.9	28.1	27.5	24.4	32.4
EPS growth	2018F	(33.2)	64.0	(12.8)	19.2	(58.2)	102.3
(% YoY)	2019F	21.2	32.3	26.4	(1.6)	125.2	(8.4)
	2020F	48.5	26.2	15.6	14.8	32.4	(0.0)
P/E	2018F	49.7	22.1	11.8	12.3	23.9	12.7
(x)	2019F	41.0	16.7	9.4	12.5	10.6	13.9
	2020F	27.6	13.2	8.1	10.9	8.0	13.5
P/B	2018F	2.0	3.4	1.8	2.2	1.3	2.3
(x)	2019F	1.9	3.0	1.5	1.9	1.2	2.0
	2020F	1.9	2.5	1.3	1.6	1.0	1.7
EV/EBITDA	2018F	57.7	13.4	5.7	7.7	-	8.2
(x)	2019F	26.1	10.8	4.2	8.1	35.2	7.7
	2020F	19.0	8.5	3.7	7.3	19.3	7.2
ROE	2018F	4.0	16.4	16.7	20.5	5.8	19.0
(%)	2019F	4.8	19.5	18.0	16.6	11.8	15.5
	2020F	7.0	20.5	17.6	16.0	13.6	13.7

Source: Bloomberg, Shinhan Investment Corp.



Source: Bloomberg, Shinhan Investment Corp.



Source: Bloomberg, Shinhan Investment Corp.

Balance Sheet

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Assets	403.3	453.3	451.4	468.8	478.7
Total Current Assets	132.5	322.1	308.0	297.0	306.7
Cash and Cash Equivalents	62.0	127.1	92.5	46.6	43.8
Accounts Receivables	31.6	64.8	71.6	83.2	87.4
Inventories	0.0	0.0	0.0	0.0	0.0
Non-Current Assets	270.9	131.2	143.5	171.8	172.0
Tangible Assets	52.8	49.4	45.8	42.6	39.8
Intangible Assets	15.5	19.5	18.0	16.8	15.8
Investment Assets	195.8	29.7	46.9	79.7	83.7
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	55.2	111.3	121.5	138.9	145.1
Current Liabilities	20.9	93.6	103.4	120.2	126.2
ST Borrowings	0.0	0.0	0.0	0.0	0.0
Account Payables	0.0	0.0	0.0	0.0	0.0
Current Portion of LT Debt	0.0	0.0	0.0	0.0	0.0
Non-Current Liabilities	34.3	17.7	18.0	18.7	18.9
Bonds	0.0	0.0	0.0	0.0	0.0
LT Borrowings(incl. LT Fin. Liab.)	12.0	14.1	14.1	14.1	14.1
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	348.2	342.0	330.0	329.9	333.6
Capital Stock	8.7	8.7	8.7	8.7	8.7
Capital Surplus	159.0	163.8	163.8	163.8	163.8
Other Reserves	(8.7)	(11.0)	(11.0)	(11.0)	(11.0)
Accu. Other Comp. Income	(2.6)	(2.8)	(2.8)	(2.8)	(2.8)
Retained Earnings	137.5	137.3	137.3	141.2	150.3
Owners of Parent Equity	293.9	296.0	296.0	299.9	309.1
Non-Controlling Interests Equity	54.3	46.0	34.0	30.0	24.5
*Total Debt	12.0	14.1	14.1	14.1	14.1
*Net Debts(Cash)	(82.3)	(234.3)	(212.5)	(188.3)	(193.3)

Cash Flow

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Operating Cash Flow	9.6	(8.8)	(11.4)	1.7	2.1
Net Profit	(73.0)	(0.9)	(2.2)	9.8	13.5
Depreciation	4.6	3.9	3.6	3.2	2.8
Amortization	3.6	2.4	1.4	1.2	1.0
Losses(Gains) on F/X Translation	(2.8)	5.4	0.0	0.0	0.0
Losses(Gains) on Disp. of Assets	0.5	0.1	0.0	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	0.2	0.4	0.0	0.0	0.0
Chg. in A/L from Op. Activities	2.4	(20.5)	2.6	4.2	1.5
(Payments of Income Taxes)	(7.7)	(2.8)	(10.3)	(3.1)	(4.3)
Others	81.8	3.2	(6.5)	(13.6)	(12.4)
Investing Cash Flow	(17.0)	102.3	(13.3)	(37.8)	5.0
Incr. in Tangible Assets(CAPEX)	(1.1)	(1.1)	0.0	0.0	0.0
Decr. in Tangible Assets	0.2	0.7	0.0	0.0	0.0
Decr.(Incr.) in Intangible Assets	(1.2)	(1.1)	0.0	0.0	0.0
Decr.(Incr.) in Investment Assets	(9.5)	203.2	(17.3)	(32.7)	(4.0)
Others	(5.4)	(99.4)	4.0	(5.1)	9.0
Free Cash Flow	14.5	42.1	7.0	12.5	13.4
Financing Cash Flow	4.3	(24.9)	(10.0)	(9.8)	(9.8)
Incr.(Decr.) in Borrowing	0.0	(17.3)	0.0	0.0	0.0
Decr.(Incr.) of Treasury Stock	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	(10.0)	(10.0)	(9.8)	(9.8)
Others	4.3	2.4	0.0	0.0	0.0
Other Cash Flows	0.0	0.0	0.0	0.0	0.0
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	1.9	(3.5)	0.0	0.0	0.0
Incr.(Decr.) in Cash	(1.2)	65.1	(34.6)	(45.9)	(2.8)
Beginning Cash	63.2	62.0	127.1	92.5	46.6
Ending Cash	62.0	127.1	92.5	46.6	43.8

Source: Company data, Shinhan Investment

Profit and Loss

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Sales	108.0	109.6	121.1	140.7	147.8
Growth (%)	(14.7)	1.5	10.5	16.2	5.0
COGS	0.0	0.0	0.0	0.0	0.0
Gross Profit	108.0	109.6	121.1	140.7	147.8
Gross margin (%)	100.0	100.0	100.0	100.0	100.0
SG&A	103.8	103.6	120.7	134.7	136.9
Operating Income	4.1	6.0	0.4	6.0	10.8
Growth (%)	N/A	44.7	(93.9)	1,540.6	80.0
Operating margin (%)	3.8	5.5	0.3	4.3	7.3
Other Net Non-Operating Profits	(92.7)	8.6	7.7	6.9	6.9
Financial Income(Expenses)	(84.1)	9.4	22.1	22.9	22.9
Net Other Non-Operating Profits	(9.0)	(0.4)	(14.3)	(16.0)	(16.0)
Net Gains in Asso., Subs., and JVs	0.4	(0.4)	0.0	0.0	0.0
Pre-tax Profit from Cont. Op.	(88.6)	14.5	8.1	12.9	17.7
Income Taxes	(15.6)	15.4	10.3	3.1	4.3
Profit from Continuing Op.	(73.0)	(0.9)	(2.2)	9.8	13.5
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	(73.0)	(0.9)	(2.2)	9.8	13.5
Growth (%)	N/A	N/A	N/A	N/A	37.4
Net Profit margin (%)	(67.6)	(0.8)	(1.8)	7.0	9.1
Net Profit of Parent	(71.0)	9.7	9.8	13.8	19.0
Net Profit to Non-Controlling	(2.0)	(10.6)	(12.0)	(4.0)	(5.5)
Total Comprehensive Income	(72.3)	(1.3)	(2.2)	9.8	13.5
Total Comp. Income of Parent	(70.5)	9.6	16.9	(74.6)	(102.5)
Total Comp. Income to Non-Cont.	(1.9)	(10.9)	(19.2)	84.4	115.9
EBITDA	12.3	12.3	5.4	10.4	14.7
Growth (%)	N/A	(0.1)	(56.3)	94.1	41.2
EBITDA Margin (%)	11.4	11.2	4.4	7.4	9.9

Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&A costs)

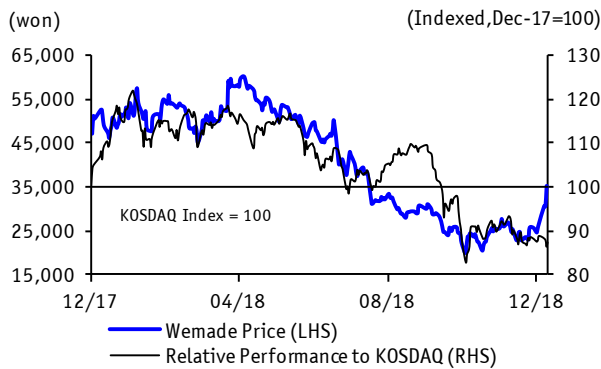
Key Ratios

Year to Dec.	2016	2017	2018F	2019F	2020F
EPS_C (won)	(4,345)	(53)	(132)	583	801
EPS_P (won)	(4,224)	580	581	821	1,128
BPS_C (won)	20,725	20,359	19,641	19,639	19,854
BPS_P (won)	17,494	17,623	17,618	17,853	18,396
DPS (won)	600	600	600	600	600
PER_C (x)	(5.1)	(956.7)	(195.9)	60.3	43.9
PER_P (x)	(5.3)	87.0	44.7	42.8	31.2
PBR_C (x)	1.1	2.5	1.3	1.8	1.8
PBR_P (x)	1.3	2.9	1.5	2.0	1.9
EV/EBITDA (x)	28.2	53.6	48.0	41.5	28.7
Payout Ratio (%)	(14.0)	102.5	100.9	71.3	51.9
Dividend Yield (%)	2.7	1.2	2.3	1.7	1.7
Profitability					
EBITDA Margin (%)	11.4	11.2	4.4	7.4	9.9
OP Margin (%)	3.8	5.5	0.3	4.3	7.3
NP Margin (%)	(67.6)	(0.8)	(1.8)	7.0	9.1
ROA (%)	(16.3)	(0.2)	(0.5)	2.1	2.8
ROE (%)	(21.7)	3.3	3.3	4.6	6.2
ROIC (%)	(18.7)	(48.8)	(0.2)	12.1	26.3
Stability					
D/E Ratio (%)	15.8	32.5	36.8	42.1	43.5
Net Debt to Equity (%)	(23.6)	(68.5)	(64.4)	(57.1)	(58.0)
Cash Ratio (%)	296.9	135.8	89.5	38.8	34.7
Interest Coverage (x)	1.9	2.4	N/A	N/A	N/A
Activity (%)					
Working Capital Turnover (t)	5.6	(83.1)	(5.8)	(5.9)	(5.6)
Inventory Turnover (d)	-	-	-	-	-
Receivable Turnover (d)	106.7	160.5	205.6	200.8	210.7

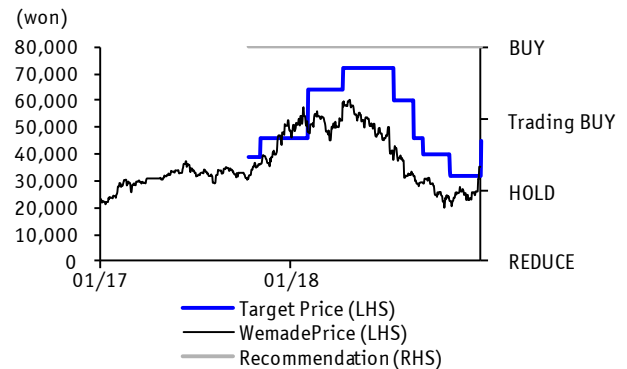
Source: Company data, Shinhan Investment

Wemade Entertainment (112040 KS)

Share Price Performance



Target Price



Compliance Notice

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Date	Recommendation	Target Price (won)	Target Price Gap (%)	
			Average	Max/Min
2017.10.18	BUY	39,000	(11.0)	(6.2)
2017.11.10	BUY	46,000	(0.4)	24.6
2018.02.09	BUY	64,000	(20.2)	(12.8)
2018.04.17	BUY	72,000	(29.1)	(16.7)
2018.07.23	BUY	60,000	(40.2)	(28.6)
2018.08.30	BUY	46,000	(36.1)	(31.2)
2018.09.17	BUY	40,000	(35.1)	(22.5)
2018.11.07	BUY	34,000	-	-
2018.11.08	BUY	32,000	(21.6)	9.8
2019.01.06	BUY	45,000	-	-

Note: Calculation of target price gap based on the past 6 months

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Stock	Sector
<ul style="list-style-type: none"> BUY: Expected return of over +10% in the next 6 months Trading BUY: Expected return of -10% ~ +10% in the next 6 months HOLD: Expected return of -20% ~ -10% in the next 6 months REDUCE: Expected return of below -20% in the next 6 months 	<ul style="list-style-type: none"> OVERWEIGHT: Prevalence of BUY rating for stocks in our sector coverage universe based on market cap NEUTRAL: Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap UNDERWEIGHT: Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap

SHIC Universe Rating Classification Ratio (as of Jan. 4, 2019)

BUY (BUY)	95.43%	Trading BUY (HOLD)	2.28%	HOLD (HOLD)	2.28%	REDUCE (SELL)	0%
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