

# Osstem Implant (048260 KS)

## Bright 2019 outlook for both share price and earnings

**BUY** (MAINTAIN)

Price (Jan. 23) W56,900  
Target Price W65,000  
% variance 14.2%

KiDal Bae ☎ (82-2) 3772-1554  
✉ kdbae@shinhan.com

JiHa Kim ☎ (82-2) 3772-4570  
✉ jh.kim@shinhan.com

KOSPI	2,127.78p
KOSDAQ	695.63p
Market Cap.	W812.9bn/ US\$713.0mn
Par Value	W500
Outstanding Shares	14.3mn
Free Floating Shares	10.8mn(75.9%)
52-Week High/Low	W62,900/W41,700
60-Day Avg. Trading Volume	70,748shrs
60-Day. Avg. Trading T/O	W3,604mn
Foreign Ownership	46.01%
Major Shareholders	
Gyu-Ok Choi and 5 others	20.76%
The Capital Group Companies and 2 others	10.85%
Absolute Performance	3M 36.5%
	6M 6.8%
	12M -9.5%
Relative performance	3M 41.0%
to KOSDAQ	6M 16.2%
	12M 16.3%

♦ Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S.

♦ Please see Analyst certification and important disclosures & disclaimers at the end of this report.

- ♦ 4Q18 operating profit to miss consensus at W6.4bn (+W6.7bn YoY)
- ♦ 2019 operating profit forecast at W41.1bn (+25.4% YoY)
- ♦ Retain BUY for a target price of W65,000

### 4Q18 operating profit to miss consensus at W6.4bn (+W6.7bn YoY)

Osstem Implant's profitability is expected to have been worse than market expectations in 4Q18 due to one-off costs. Sales are projected to have met the consensus (W118.9bn) at W120.3bn (+16.1% YoY). Domestic sales and exports of dental implants should have come in at W29bn (+12.7% YoY) and W21.9bn (+15.7% YoY), respectively. Overseas subsidiaries should have turned in sales of W63.9bn (+14.9% YoY), helped by solid growth in China (+11.6% YoY) and the U.S. (+15.0% YoY). Exports of dental equipment and chairs are estimated to have been solid at W2.9bn (+31.1% YoY) and W2.3bn (+36.4% YoY), respectively.

Operating profit likely climbed by W6.7bn YoY to W6.4bn thanks to the low YoY base, but nevertheless missed the consensus (W10.4bn) due to bad debt expenses (roughly W2.5bn) at overseas subsidiaries. Bad debt expenses of W3.3bn were booked in SG&A expenses in 4Q17.

### 2019 operating profit forecast at W41.1bn (+25.4% YoY)

Margin gains that started in 2H18 should gather momentum in 2019. For full-year 2019, we forecast sales of W508.6bn (+11.7% YoY). Overseas sales should increase faster than domestic sales. Domestic sales of dental implants are estimated at W130.5bn (+9.5% YoY) with the pace of growth slowing down. Overseas subsidiaries will likely generate sales of W273.4bn (+12.0% YoY). Exports of dental implants are expected to reach W107.4bn (+14.6% YoY), surpassing the W100bn mark for the first time. Sales of Chinese subsidiaries are projected to amount to W86.6bn (+10.8% YoY) and the U.S. subsidiary W69.3bn (+12.8% YoY). We forecast operating profit of W41.1bn (+25.4% YoY) and operating profit margin of 8.1% (+0.9%p YoY).

### Retain BUY for a target price of W65,000

We retain our BUY rating on Osstem Implant for a target price of W65,000. The share price fell about 10% last year due to weak earnings in 1H18, but is expected to increase this year along with improvement in earnings. Margin gains have continued since 3Q18, and shares are trading at low valuation levels. The share price correction triggered by sluggish 4Q18 earnings offers a good entry point.

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	344.6	34.2	32.5	23.5	1,645	30.7	7,305	36.9	22.1	8.3	22.1	28.4
2017	397.8	21.7	19.4	10.1	708	(57.0)	7,909	83.5	28.5	7.5	9.3	25.0
2018F	455.5	32.8	16.5	16.2	1,132	60.0	9,041	50.3	19.5	6.3	13.4	22.7
2019F	508.6	41.1	32.3	34.6	2,425	114.2	11,465	23.5	16.0	5.0	23.6	26.6
2020F	560.1	48.2	41.6	44.6	3,121	28.7	14,586	18.2	12.9	3.9	24.0	15.6

Source: Company data, Shinhan Investment Corp.

## 4Q18 preview

(bn KRW, %)	4Q18F	3Q18	QoQ	4Q17	YoY	SHIC	Consensus
Sales	120.3	114.0	5.5	103.7	16.1	120.3	118.9
OP	6.4	12.2	(47.0)	(0.3)	TP	9.4	10.4
Pre-tax profit	2.2	0.6	242.4	3.3	(33.3)	5.5	7.9
NP	4.3	(2.2)	TP	(6.3)	TP	6.1	5.8
OPM	5.4	10.7	(5.3)p	(0.3)	5.6p	7.8	8.7
Pre-tax margin	1.8	0.6	1.3p	3.2	(1.4)p	4.6	6.6
NPM	3.5	(2.0)	5.5p	(6.1)	9.6p	5.1	4.9

Source: Company data, FnGuide, Shinhan Investment Corp.

## Earnings forecast revision

(bn KRW, KRW, %)	Before		After		Change	
	2018F	2019F	2018F	2019F	2018F	2019F
Sales	455.4	508.1	455.5	508.6	0.0	0.1
OP	35.7	42.2	32.8	41.1	(8.2)	(2.6)
Pre-tax profit	19.8	33.2	16.5	32.3	(16.8)	(2.5)
NP	10.9	19.9	9.1	19.4	(16.8)	(2.5)
BPS	9,268	11,759	9,041	11,465	(2.4)	(2.5)
OPM	7.8	8.3	7.2	8.1		
Pre-tax margin	4.3	6.5	3.6	6.4		
NPM	2.4	3.9	2.0	3.8		

Source: Shinhan Investment Corp.

## Target price calculation

(KRW, x)	2019F
BPS	11,465
Target PBR	5.7
Calculated price	65,516
Target price	65,000

Source: Shinhan Investment Corp.

Note: 1) PBR applied due to high net profit volatility

2) Operating profit margin is expected to increase from 7.2% in 2018 to 8.1% in 2019, but we applied 2018 average PBR to be conservative. Share valuations may be upgraded if earnings meet expectations going forward.

## PBR, operating profit margin and ROE

(x, %)	2014	2015	2016	2017	2018F	2019F
PER (term-end)	5.7	10.6	8.3	7.5	5.9	5.0
PER (high)	7.4	10.8	11.9	9.5	7.0	
PER (low)	3.3	4.6	7.1	6.3	4.5	
PER (average)	5.0	7.6	9.5	7.6	5.7	
OPM	12.1	12.0	9.9	5.5	7.2	8.1
ROE	18.4	18.1	22.1	9.3	13.4	23.6

Source: QuantiWise, Shinhan Investment Corp.

Quarterly earnings															
(bn KRW, %)	1Q18	2Q18	3Q18	4Q18F	1Q19F	2Q19F	3Q19F	4Q19F	1Q20F	2Q20F	3Q20F	4Q20F	2018F	2019F	2020F
Sales	108.5	112.7	114.0	120.3	122.2	127.6	126.7	132.2	134.2	141.6	138.7	145.5	455.5	508.6	560.1
OP	6.9	7.2	12.2	6.4	9.0	10.3	13.7	8.1	10.4	12.6	15.4	9.8	32.8	41.1	48.2
Pre-tax profit	6.3	7.3	0.6	2.2	7.0	7.8	11.9	5.7	9.1	11.3	13.5	7.7	16.5	32.3	41.6
NP	4.0	3.0	(2.2)	4.3	4.2	4.7	6.9	3.7	5.5	6.8	8.0	4.6	9.1	19.4	25.0
Growth (YoY)															
Sales	16.0	11.6	14.5	16.1	12.7	13.2	11.1	9.8	9.8	11.0	9.5	10.1	14.5	11.7	10.1
OP	(12.6)	(24.8)	173.8	TP	30.3	41.8	12.8	26.1	15.3	22.7	12.4	20.4	51.0	25.4	17.4
Pre-tax profit	TP	(41.7)	(84.9)	(33.3)	11.8	6.2	1,735.9	157.7	29.4	45.9	13.9	34.2	(15.3)	96.8	28.5
NP	TP	(61.9)	(150.8)	TP	5.0	55.9	TP	(14.1)	30.0	46.4	16.7	26.3	60.0	114.2	28.7
Margin (%)															
OPM	6.4	6.4	10.7	5.4	7.3	8.1	10.8	6.1	7.7	8.9	11.1	6.7	7.2	8.1	8.6
Pre-tax margin	5.8	6.5	0.6	1.8	5.7	6.1	9.4	4.3	6.8	8.0	9.7	5.3	3.6	6.4	7.4
NPM	3.7	2.7	(2.0)	3.5	3.4	3.7	5.4	2.8	4.1	4.8	5.8	3.2	2.0	3.8	4.5

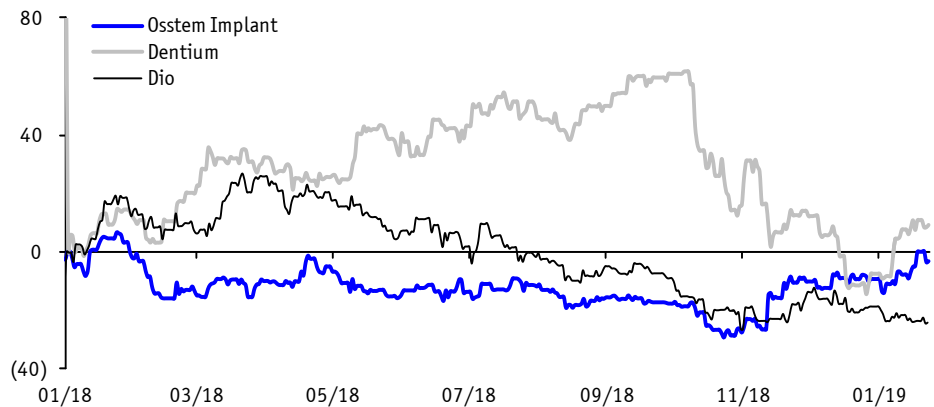
Source: Company data, Shinhan Investment Corp.

Sales by division															
(bn KRW, %)	1Q18	2Q18	3Q18	4Q18F	1Q19F	2Q19F	3Q19F	4Q19F	1Q20F	2Q20F	3Q20F	4Q20F	2018F	2019F	2020F
Sales	108.5	112.7	114.0	120.3	122.2	127.6	126.7	132.2	134.2	141.6	138.7	145.5	455.5	508.6	560.1
Dental implants (domestic)	33.4	28.9	27.9	29.0	36.0	32.0	31.0	31.5	39.0	35.0	34.0	34.5	119.2	130.5	142.5
Dental implants (exports)	22.0	29.3	20.6	21.9	26.2	34.5	23.2	23.6	28.5	38.6	26.8	27.4	93.8	107.4	121.2
Dental equipment (domestic)	14.8	15.1	15.0	16.8	16.2	16.5	16.3	18.3	18.0	18.3	18.0	20.3	61.6	67.3	74.6
Dental equipment (exports)	2.0	3.0	3.0	2.9	2.7	3.4	3.3	3.2	3.0	3.8	3.8	3.7	10.9	12.6	14.2
Dental chairs (domestic)	5.3	4.4	4.2	5.0	5.5	4.5	4.3	5.2	5.7	4.6	4.4	5.4	18.9	19.5	20.1
Dental chairs (exports)	1.9	2.6	2.9	2.3	2.2	3.0	3.1	2.4	2.4	3.2	3.5	2.8	9.6	10.7	12.0
Overseas subsidiaries	53.6	63.4	63.1	63.9	61.4	70.7	70.0	71.3	68.6	80.1	77.8	82.5	244.1	273.4	309.0
China	13.9	21.4	21.2	21.7	16.3	22.7	23.3	24.3	18.6	26.3	27.7	29.2	78.2	86.6	101.7
U.S.	13.5	16.3	16.3	15.3	15.8	18.8	17.9	16.8	17.4	21.1	20.9	19.4	61.4	69.3	78.8
Other adjustment	(24.4)	(33.9)	(22.7)	(21.5)	(28.0)	(37.0)	(24.5)	(23.3)	(31.0)	(42.0)	(29.5)	(31.0)	(102.6)	(112.8)	(133.5)
Growth (YoY)															
Dental implants (domestic)	30.7	10.5	11.1	12.7	7.7	10.8	11.0	8.6	8.3	9.4	9.7	9.5	16.2	9.5	9.2
Dental implants (exports)	36.4	24.9	(4.6)	15.7	19.0	18.0	12.5	7.7	8.9	11.9	15.5	15.9	17.1	14.6	12.8
Dental equipment (domestic)	7.1	9.0	12.5	10.4	9.8	9.4	8.5	8.9	11.1	10.9	10.4	10.9	9.7	9.2	10.8
Dental equipment (exports)	(21.9)	57.1	35.5	31.1	39.9	13.5	7.8	8.4	8.9	11.2	14.8	15.8	22.8	15.3	12.8
Dental chairs (domestic)	27.3	(9.8)	(1.6)	4.6	4.6	1.9	1.8	4.0	3.6	2.2	2.3	3.8	4.4	3.2	3.1
Dental chairs (exports)	(15.8)	43.9	47.9	36.4	18.6	16.2	6.7	6.4	8.4	9.5	14.0	14.8	25.7	11.5	11.8
Overseas subsidiaries	11.5	19.0	16.2	14.9	14.4	11.5	11.0	11.5	11.8	13.2	11.1	15.8	15.5	12.0	13.0
China	3.0	24.6	11.4	11.6	16.7	6.2	10.2	12.0	14.0	15.6	18.5	20.2	13.1	10.8	17.4
U.S.	7.2	23.6	19.1	15.0	17.4	15.4	9.7	9.3	9.8	12.3	16.8	15.7	16.4	12.8	13.7

Source: Company data, Shinhan Investment Corp.

## Relative share performance of domestic peers

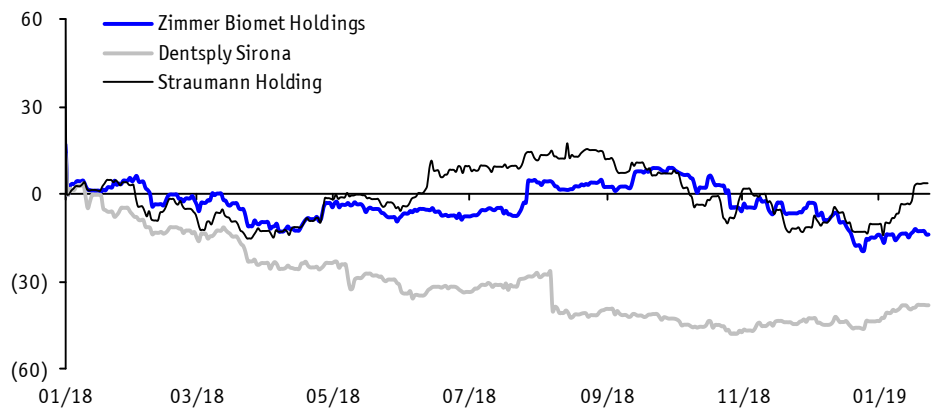
(2018/01/01=0)



Source: Bloomberg, Shinhan Investment Corp.

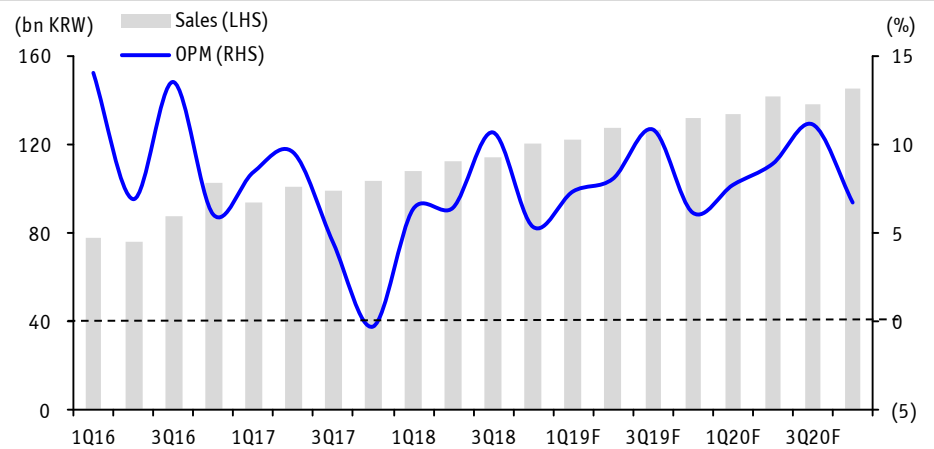
## Relative share performance of global peers

(2018/01/01=0)



Source: Bloomberg, Shinhan Investment Corp.

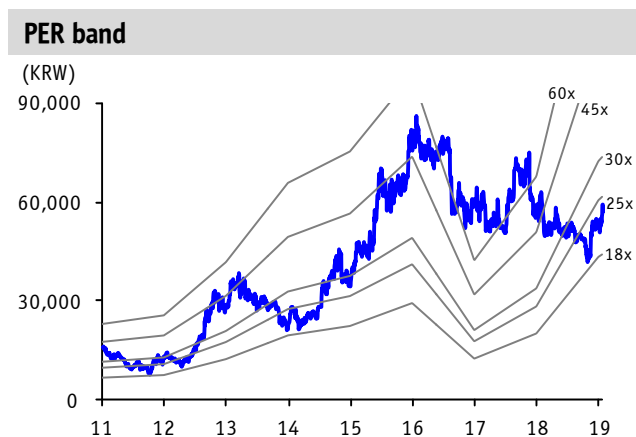
## Sales and operating profit margin



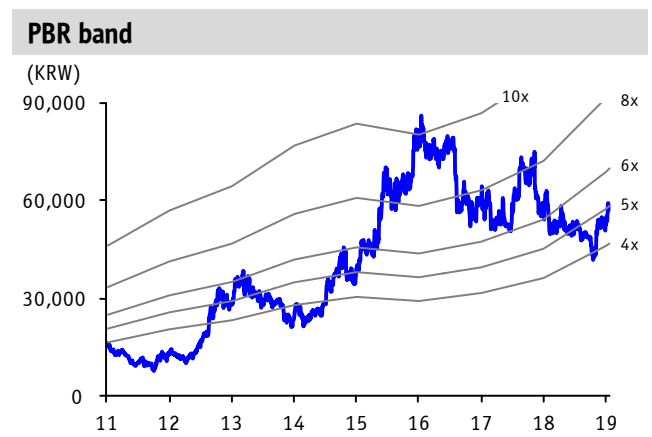
Source: Company data, Shinhan Investment Corp.

Peer group valuation			Osstem Implant	Dentium	Dio	Zimmer Biomet Holdings	Dentsply Sirona	Straumann Holding
Ticker			048260 KQ	145720 KS	039840 KQ	ZBH US	XRAY US	STMN SW
Market cap.	(bn KRW)		816	754	405	23,877	10,218	12,822
Sales	2018F		455	183	98	8,969	4,469	1,526
(bn KRW)	2019F		509	222	113	9,002	4,536	1,750
	2020F		560	268	136	9,226	4,638	1,984
OP	2018F		33	46	20	2,383	673	392
(bn KRW)	2019F		41	57	24	2,418	750	460
	2020F		48	69	31	2,528	832	533
NP	2018F		9	37	16	1,760	500	318
(bn KRW)	2019F		19	45	17	1,814	555	388
	2020F		25	55	23	1,946	618	460
OPM	2018F		7.2	25.0	20.4	26.6	15.1	25.7
(%)	2019F		8.1	25.7	21.2	26.9	16.5	26.3
	2020F		8.6	25.8	22.8	27.4	17.9	26.9
NPM	2018F		2.0	20.2	16.3	19.6	11.2	20.8
(%)	2019F		3.8	20.0	15.0	20.2	12.2	22.2
	2020F		4.5	20.4	16.9	21.1	13.3	23.2
EPS growth	2018F		60.0	22.4	54.8	(4.8)	(26.0)	18.4
(%)	2019F		114.2	20.6	10.2	2.4	11.1	21.4
	2020F		28.7	22.5	31.4	6.9	14.3	17.9
PER	2018F		47.3	20.5	26.2	13.6	20.7	39.3
(x)	2019F		23.5	17.0	23.8	13.3	18.6	32.4
	2020F		18.2	13.9	18.1	12.4	16.2	27.5
PBR	2018F		5.9	3.7	2.7	1.5	1.7	8.9
(x)	2019F		5.0	3.1	2.4	1.4	1.6	7.4
	2020F		3.9	2.5	2.1	1.3	1.6	6.2
EV/EBITDA	2018F		18.4	16.7	16.9	10.8	13.8	28.5
(x)	2019F		16.0	13.7	14.6	10.7	12.8	24.4
	2020F		12.9	11.4	12.6	10.3	11.5	21.1
ROE	2018F		13.4	20.8	14.6	13.3	7.8	24.4
(%)	2019F		23.6	20.9	14.8	11.9	9.7	25.1
	2020F		24.0	21.1	14.0	11.6	10.5	24.7

Source: QuantiWise, Bloomberg, Shinhan Investment Corp.



Source: QuantiWise, Shinhan Investment Corp.



Source: QuantiWise, Shinhan Investment Corp.

## Balance Sheet

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Assets</b>	<b>475.3</b>	<b>555.7</b>	<b>603.5</b>	<b>658.5</b>	<b>718.0</b>
Total Current Assets	277.7	318.3	338.7	351.8	386.7
Cash and Cash Equivalents	75.6	111.0	107.8	94.0	102.8
Accounts Receivables	87.8	81.8	97.1	108.4	119.3
Inventories	79.5	89.8	93.0	103.8	114.3
Non-Current Assets	197.6	237.4	264.8	306.7	331.3
Tangible Assets	123.0	189.9	216.4	257.1	280.1
Intangible Assets	15.8	13.8	14.1	14.8	15.9
Investment Assets	5.5	3.9	4.5	5.0	5.6
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>363.5</b>	<b>435.3</b>	<b>474.0</b>	<b>509.7</b>	<b>544.2</b>
Current Liabilities	324.9	352.3	390.3	425.3	459.2
ST Borrowings	75.4	81.9	81.9	81.9	81.9
Account Payables	9.4	11.1	12.7	14.2	15.7
Current Portion of LT Debt	27.8	8.4	8.4	8.4	8.4
Non-Current Liabilities	38.7	83.0	83.7	84.4	85.0
Bonds	0.0	15.9	15.9	15.9	15.9
LT Borrowings(incl. LT Fin. Liab.)	29.3	62.2	62.2	62.2	62.2
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
<b>Shareholders' Equity</b>	<b>111.7</b>	<b>120.4</b>	<b>129.5</b>	<b>148.9</b>	<b>173.8</b>
Capital Stock	7.1	7.1	7.1	7.1	7.1
Capital Surplus	56.2	56.2	56.2	56.2	56.2
Other Reserves	(37.6)	(37.8)	(37.8)	(37.8)	(37.8)
Accu. Other Comp. Income	4.1	2.6	2.6	2.6	2.6
Retained Earnings	74.6	84.9	101.1	135.7	180.3
Owners of Parent Equity	104.3	113.0	129.2	163.8	208.4
Non-Controlling Interests Equity	7.4	7.4	0.3	(14.9)	(34.6)
*Total Debt	132.5	168.9	169.0	169.0	169.1
*Net Debts(Cash)	31.8	30.1	29.4	39.5	27.2

## Cash Flow

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Operating Cash Flow</b>	<b>40.1</b>	<b>46.8</b>	<b>48.3</b>	<b>43.6</b>	<b>49.2</b>
Net Profit	20.3	5.7	9.1	19.4	25.0
Depreciation	5.7	7.4	8.5	9.3	12.0
Amortization	1.2	1.8	1.9	2.0	2.1
Losses(Gains) on F/X Translation	(2.5)	4.0	5.1	1.4	(1.0)
Losses(Gains) on Disp. of Assets	(0.1)	(13.0)	(0.2)	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	(0.5)	0.2	(0.0)	0.2	0.2
Chg. in A/L from Op. Activities	3.2	14.5	17.9	11.3	10.9
(Payments of Income Taxes)	(15.1)	(5.0)	(7.4)	(12.9)	(16.6)
Others	27.9	31.2	13.4	12.9	16.6
<b>Investing Cash Flow</b>	<b>(73.8)</b>	<b>(46.6)</b>	<b>(53.0)</b>	<b>(58.5)</b>	<b>(41.5)</b>
Incr. in Tangible Assets(CAPEX)	(67.6)	(86.8)	(35.0)	(50.0)	(35.0)
Decr. in Tangible Assets	1.2	11.6	0.0	0.0	0.0
Decr.(Incr.) in Intangible Assets	(1.5)	(3.2)	(2.2)	(2.7)	(3.2)
Decr.(Incr.) in Investment Assets	(14.3)	(1.5)	(0.6)	(0.7)	(0.7)
Others	8.4	33.3	(15.2)	(5.1)	(2.6)
<b>Free Cash Flow</b>	<b>(21.9)</b>	<b>(36.1)</b>	<b>9.5</b>	<b>(4.4)</b>	<b>17.4</b>
<b>Financing Cash Flow</b>	<b>21.9</b>	<b>36.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
Incr.(Decr.) in Borrowing	47.4	36.4	0.1	0.1	0.1
Decr.(Incr.) of Treasury Stock	25.5	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	0.0	0.0
Others	(51.0)	(0.3)	0.0	0.0	0.0
Other Cash Flows	0.0	0.0	1.3	1.1	1.2
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	0.1	(0.9)	0.0	0.0	0.0
<b>Incr.(Decr.) in Cash</b>	<b>(11.6)</b>	<b>35.5</b>	<b>(3.2)</b>	<b>(13.8)</b>	<b>8.9</b>
Beginning Cash	87.2	75.6	111.0	107.8	94.0
Ending Cash	75.6	111.0	107.8	94.0	102.9

Source: Company data, Shinhan Investment Corp.

## Profit and Loss

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
<b>Sales</b>	<b>344.6</b>	<b>397.8</b>	<b>455.5</b>	<b>508.6</b>	<b>560.1</b>
Growth (%)	24.1	15.4	14.5	11.7	10.1
<b>COGS</b>	<b>141.1</b>	<b>165.7</b>	<b>195.8</b>	<b>218.2</b>	<b>239.5</b>
<b>Gross Profit</b>	<b>203.4</b>	<b>232.1</b>	<b>259.7</b>	<b>290.4</b>	<b>320.6</b>
Gross margin (%)	59.0	58.3	57.0	57.1	57.2
<b>SG&amp;A</b>	<b>169.2</b>	<b>210.4</b>	<b>226.9</b>	<b>249.3</b>	<b>272.4</b>
<b>Operating Income</b>	<b>34.2</b>	<b>21.7</b>	<b>32.8</b>	<b>41.1</b>	<b>48.2</b>
Growth (%)	2.8	(36.6)	51.0	25.4	17.4
Operating margin (%)	9.9	5.5	7.2	8.1	8.6
<b>Other Net Non-Operating Profits</b>	<b>(1.8)</b>	<b>(2.3)</b>	<b>(16.3)</b>	<b>(8.8)</b>	<b>(6.6)</b>
Financial Income(Expenses)	(1.9)	(11.5)	(13.2)	(5.7)	(4.1)
Net Other Non-Operating Profits	(0.3)	9.4	(3.2)	(2.9)	(2.3)
Net Gains in Asso., Subs., and JVs	0.5	(0.2)	0.0	(0.2)	(0.2)
<b>Pre-tax Profit from Cont. Op.</b>	<b>32.5</b>	<b>19.4</b>	<b>16.5</b>	<b>32.3</b>	<b>41.6</b>
Income Taxes	12.2	13.8	7.4	12.9	16.6
Profit from Continuing Op.	20.3	5.7	9.1	19.4	25.0
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>20.3</b>	<b>5.7</b>	<b>9.1</b>	<b>19.4</b>	<b>25.0</b>
Growth (%)	24.5	(72.2)	60.0	114.2	28.7
Net Profit margin (%)	5.9	1.4	2.0	3.8	4.5
Net Profit of Parent	23.5	10.1	16.2	34.6	44.6
Net Profit to Non-Controlling	(3.2)	(4.4)	(7.1)	(15.2)	(19.6)
<b>Total Comprehensive Income</b>	<b>18.4</b>	<b>5.9</b>	<b>9.1</b>	<b>19.4</b>	<b>25.0</b>
Total Comp. Income of Parent	21.6	10.2	15.6	33.3	42.9
Total Comp. Income to Non-Cont.	(3.2)	(4.3)	(6.5)	(13.9)	(17.9)
<b>EBITDA</b>	<b>41.1</b>	<b>30.9</b>	<b>43.2</b>	<b>52.4</b>	<b>62.3</b>
Growth (%)	7.2	(24.8)	39.7	21.3	19.0
EBITDA Margin (%)	11.9	7.8	9.5	10.3	11.1

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

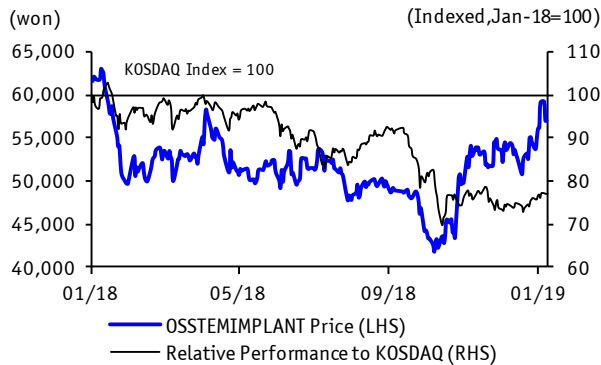
## Key Ratios

Year to Dec.	2016	2017	2018F	2019F	2020F
EPS_C (won)	1,423	396	634	1,358	1,748
EPS_P (won)	1,645	708	1,132	2,425	3,121
BPS_C (won)	7,821	8,428	9,062	10,420	12,167
BPS_P (won)	7,305	7,909	9,041	11,465	14,586
DPS (won)	0	0	0	0	0
PER_C (x)	42.6	149.2	89.8	41.9	32.6
PER_P (x)	36.9	83.5	50.3	23.5	18.2
PBR_C (x)	7.8	7.0	6.3	5.5	4.7
PBR_P (x)	8.3	7.5	6.3	5.0	3.9
EV/EBITDA (x)	22.1	28.5	19.5	16.0	12.9
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
<b>Profitability</b>					
EBITDA Margin (%)	11.9	7.8	9.5	10.3	11.1
OP Margin (%)	9.9	5.5	7.2	8.1	8.6
NP Margin (%)	5.9	1.4	2.0	3.8	4.5
ROA (%)	4.7	1.1	1.6	3.1	3.6
ROE (%)	22.1	9.3	13.4	23.6	24.0
ROIC (%)	28.5	10.8	12.6	15.0	15.5
<b>Stability</b>					
D/E Ratio (%)	325.4	361.6	366.2	342.4	313.1
Net Debt to Equity (%)	28.4	25.0	22.7	26.6	15.6
Cash Ratio (%)	23.3	31.5	27.6	22.1	22.4
Interest Coverage (x)	8.5	4.4	6.0	7.5	8.8
<b>Activity (%)</b>					
Working Capital Turnover (t)	(15.3)	(8.1)	(6.1)	(5.8)	(5.8)
Inventory Turnover (d)	74.7	77.7	73.2	70.6	71.1
Receivable Turnover (d)	93.9	77.8	71.6	73.7	74.2

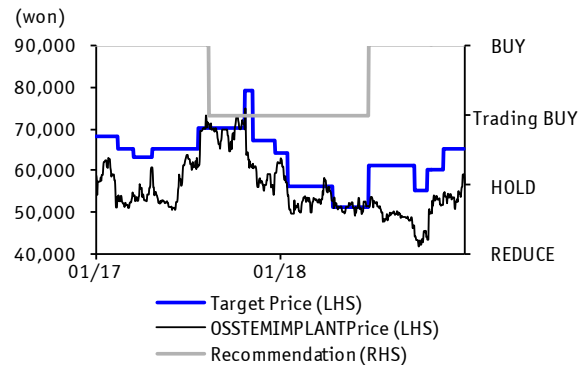
Source: Company data, Shinhan Investment Corp.

## Osstem Implant (048260 KS)

### Share Price Performance



### Target Price



### Compliance Notice

- Analyst Certification: The following analysts hereby certify the information and material presented in this report are accurate expressions of their views, and that they have not received wrongful pressure to express such views: KiDal Bae.
- As of the date of this report's publication, Shinhan Investment Corp.'s shareholdings in the company mentioned in this report (Osstem Implant) do not exceed 1% of outstanding shares of the company.
- As of this date, Shinhan Investment Corp. has not participated as the lead underwriter or advisor in issuance of the securities of the company during the past 1 year.
- As of this date, the covering analyst does not possess any financial interest in the securities or debt instruments convertible into such shares of the company, which is required to be disclosed by law, and has not and will not receive any compensation of any kind whatsoever in exchange for expressing specific recommendations.
- All opinions and estimates regarding the company and its securities are accurate representations of the covering analyst's judgments as of this date, and may differ from actual results.
- This report is intended to provide information to assist investment decisions only and should not be used or considered an offer or the solicitation of an offer to sell or to buy any securities. Stock selection and final investment decisions should be made at the client's own discretion.
- This report is distributed to our clients only, and any unauthorized use, duplication, or redistribution of this report is strictly prohibited.

Date	Recommendation	Target Price (won)	Target Price Gap (%)	
			Average	Max/Min
2017.03.09	BUY	65,000	(19.2)	(15.8)
2017.04.09	BUY	63,000	(12.9)	(3.7)
2017.05.16	BUY	65,000	(13.4)	(2.0)
2017.08.15	BUY	70,000	0.2	4.6
2017.09.05	Trading BUY	70,000	(0.9)	7.0
2017.11.15	Trading BUY	79,000	(21.6)	(18.6)
2017.12.01	Trading BUY	67,000	(14.4)	(9.0)
2018.01.14	Trading BUY	64,000	(7.0)	(1.7)
2018.02.08	Trading BUY	56,000	(5.6)	3.9
2018.05.08	Trading BUY	51,000	0.3	4.9
2018.07.18	BUY	61,000	(18.8)	(12.1)
2018.10.17	BUY	55,000	(20.9)	(17.4)
2018.11.11	BUY	60,000	(12.9)	(9.3)
2018.12.13	BUY	65,000	-	-

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

### Distribution

- United States:** This report is distributed in the U.S. by Shinhan Investment America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Shinhan Investment Corp. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Shinhan Investment America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.
- All Other Jurisdictions:** Customers in all other countries who wish to effect a transaction in any securities referenced in this report should contact Shinhan or its affiliates only if distribution to or use by such customer of this report would not violate applicable laws and regulations and not subject Shinhan and its affiliates to any registration or licensing requirement within such jurisdiction.

### SHIC Rating Classifications (As of Apr. 1, 2017)

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

### SHIC Universe Rating Classification Ratio (as of Jan. 22, 2019)

BUY (BUY)	95.39%	Trading BUY (HOLD)	2.3%	HOLD (HOLD)	2.3%	REDUCE (SELL)	0%
-----------	--------	--------------------	------	-------------	------	---------------	----