

JVM

(054950 KQ)

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Rating **BUY**
maintain

6M TP (₩) **44,000**
maintain

CP (₩)
(19.01.30) **35,150**

Small caps

A positive earnings surprise for 4Q18

BUY and 6M TP of ₩44,000 maintained

- Our target price is derived by applying a target P/E of 19.6x to the 2019E EPS. The target multiple is based on the 2019E P/E average of global peers (Panasonic, Tosho, and Omnicell).
- Despite the weak 2018 results stemming from sluggish exports, we keep BUY on JVM in view of a revenue turnaround in 2019 as its aggressive sales push pays off.

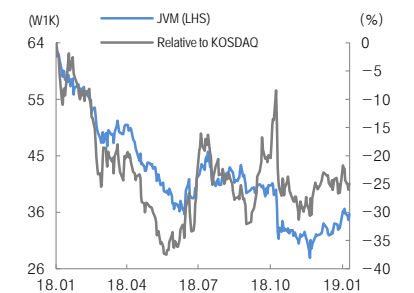
4Q18 OP climbs 28% yoy on seasonally high demand and strong exports

- For 4Q18, the company posted OP of ₩4.1bn (up 12% qoq; up 28% yoy) on revenue of ₩30.7bn (up 22% qoq; up 16% yoy), coming in 10% and 17% than our estimates, respectively.
- This solid performance was driven by a 22% yoy increase in exports, which carry higher margins than domestic sales and MRO (major consumables).
- 4Q18 revenue by business: Automatic prescription systems ₩16.7bn (up 24% yoy), MRO ₩10.6bn (up 16% yoy), merchandise ₩3.4bn (down 12% yoy)
- 4Q18 revenue by region: Korea 47%, North America 23%, Europe 23%, others 8%.
- In particular, revenue from North America grew 29% yoy to ₩7.2bn as JVM pushed into the long-term care market (such as nursing homes and correctional facilities).
- Revenue from Europe also increased 21% yoy to ₩6.9bn as New Slide Premier, a new machine that combines the existing automatic dispensing and packaging system with the inspection system VIZEN, made its way into Europe's largest pharmacy chain.

Industry 4.0 safety rating ■ Sky Blue

KOSDAQ	715.3
Market cap (₩bn)	223
Market cap portion (%)	0.09
Paid-in capital (common; ₩bn)	3
52w high/low (₩)	59,300 / 27,800
120d avg. trading volume (₩bn)	0.5
Foreign ownership (%)	3.02
Major shareholders	Hanmi Science+3: 42.58% Hanwha Asset Management+2: 9.41%

(%)	1M	3M	6M	12M
Abs. return	4.6	-2.4	-17.5	-39.7
Rel. return	-1.2	-12.1	-11.2	-22.4



	4Q17	3Q18	Previous estimate	Result	4Q18(P)			1Q19(F)		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	26	25	28	31	16.1	22.2	28	26	13.8	-17.0
OP	3	4	3	4	28.4	11.7	3	3	32.2	-20.9
NP	1	3	3	-0	TTR	TTR	3	3	25.7	TTB

	2016	2017	Previous estimate	Result	2018(P)		Growth	
					Chg	Consensus	2017	2018(F)
Revenue	98	106	101	104	2.9	101	8.2	-2.4
OP	15	19	13	13	5.1	14	26.7	-29.0
NP	11	11	11	8	-28.3	12	3.3	-28.8

Source: JVM, FnGuide, Daishin Securities Research Center

Operating results and major financial data

	2016A	2017A	2018P	2019F	2020F
Revenue	98	106	104	116	128
OP	15	19	13	15	19
Pretax profit	12	15	11	16	20
NP	11	11	8	13	16
NP (cont. int.)	11	11	8	13	16
EPS	1,826	1,895	1,380	2,257	2,714
PER	23.5	30.3	25.5	15.6	13.0
BPS	17,717	19,135	20,137	21,941	24,169
PBR	2.4	3.0	1.7	1.6	1.5
ROE	10.2	9.8	6.6	9.9	10.9

Note: EPS, BPS, and ROE are based only on the controlling interest.
Source: JVM, Daishin Securities Research Center

Yearly earnings forecast revision (Wbn, W, %, %p)

	Previous		Revised		Chg	
	2018F	2019F	2018F	2019F	2018F	2019F
Revenue	101	106	104	116	2.9	8.6
SG&A expenses	27	28	27	29	-0.4	3.2
OP	13	15	13	15	5.1	4.2
Margin	12.6	13.7	12.8	13.2	0.3	-0.5
Non-operating OP	2	1	-2	1	Reduced loss	10.9
Pretax profit	14	16	11	16	-24.1	4.7
NP (cont. int.)	11	13	8	13	-28.3	4.7
Margin	11.3	11.8	7.9	11.4	-3.4	-0.4
EPS (cont. int.)	1,923	2,146	1,380	2,257	-28.3	5.2

Source: JVM, Daishin Securities Research Center

Tab 1. JVM earnings forecast (revised) (Wbn, %)

	2017				2018				2016	2017	2018P	2019F
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QP				
Revenue	22.9	28.7	28.1	26.5	22.4	25.3	25.2	30.7	98.1	106.2	103.6	115.6
Automated dispensing systems	11.2	15.0	15.4	13.4	10.6	12.5	12.0	16.7	48.2	55.0	51.9	62.7
MRO (major consumables)	9.0	10.4	9.4	9.2	9.4	9.8	10.3	10.6	38.1	37.9	40.1	40.8
Merchandise	2.7	3.3	3.3	3.9	2.4	3.0	2.8	3.4	12.3	13.2	11.7	12.1
Revenue growth (%YoY)												
Companywide	9.4	6.3	25.9	-5.1	-1.9	-11.9	-10.5	16.1	11.0	8.2	-2.4	11.5
Automated dispensing systems	25.4	10.0	58.2	-12.8	-4.9	-16.4	-22.0	24.1	8.7	15.3	-5.7	20.8
MRO (major consumables)	0.1	1.8	-1.7	-2.1	4.4	-6.0	9.3	16.2	14.2	-0.5	5.6	1.7
Merchandise	-10.2	5.3	9.7	23.5	-10.7	-9.8	-13.5	-11.9	9.8	7.2	-11.5	3.9
OP	2.7	6.8	6.1	3.2	2.5	3.0	3.7	4.1	14.8	18.7	13.3	15.2
OP margin (%)	11.7	23.6	21.6	12.1	11.0	12.0	14.6	13.4	15.1	17.7	12.8	13.2
OP growth (%YoY)	1,431.4	7.5	253.6	-51.4	-8.3	-55.2	-39.3	28.4	128.6	26.7	-29.0	14.5
NP (contr. int.)	1.9	4.6	4.0	0.9	2.3	2.6	3.3	-0.1	11.1	11.5	8.2	13.2
NP margin (%)	8.4	16.2	14.3	3.3	10.1	10.4	13.2	-0.2	11.3	10.8	7.9	11.4
NP growth (%YoY)	232.1	8.7	58.7	-76.3	18.0	-43.1	-17.3	TTR	112.8	3.3	-28.8	61.7

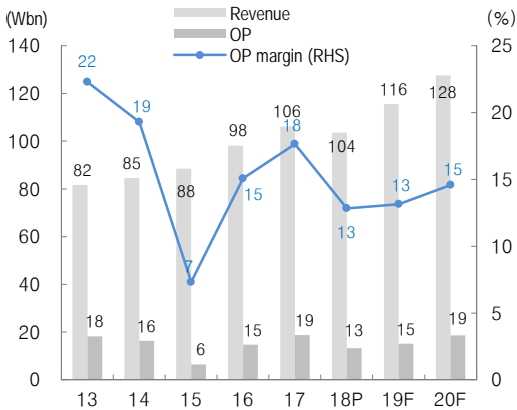
Source: JVM, Daishin Securities Research Center

Tab 2. JVM earnings forecast (previous) (Wbn, %)

	2017				2018				2016	2017	2018P	2019F
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QP				
Revenue	22.9	28.7	28.1	26.5	22.4	25.3	25.2	27.9	98.1	106.2	100.8	106.5
Automated dispensing systems	11.2	15.0	15.4	13.4	10.6	12.5	12.2	15.2	48.2	55.0	50.6	55.9
MRO (major consumables)	9.0	10.4	9.4	9.2	9.4	9.8	10.1	9.6	38.1	37.9	38.8	39.0
Merchandise	2.7	3.3	3.3	3.9	2.4	3.0	2.8	3.0	12.3	13.2	11.3	11.6
Revenue growth (%YoY)												
Companywide	9.4	6.3	25.9	-5.1	-1.9	-11.9	-10.5	5.2	11.0	8.2	-5.1	5.7
Automated dispensing systems	25.4	10.0	58.2	-12.8	-4.9	-16.4	-20.7	13.4	8.7	15.3	-8.0	10.3
MRO (major consumables)	0.1	1.8	-1.7	-2.1	4.4	-6.0	7.1	4.8	14.2	-0.5	2.3	0.5
Merchandise	-10.2	5.3	9.7	23.5	-10.7	-9.8	-13.5	-22.1	9.8	7.2	-14.5	2.5
OP	2.7	6.8	6.1	3.2	2.5	3.0	3.7	3.5	14.8	18.7	12.6	14.6
OP margin (%)	11.7	23.6	21.6	12.1	11.0	12.0	14.6	12.4	15.1	17.7	12.6	13.7
OP growth (%YoY)	1,431.4	7.5	253.6	-51.4	-8.3	-55.2	-39.3	8.1	128.6	26.7	-32.5	15.5
NP (contr. int.)	1.9	4.6	4.0	0.9	2.7	2.6	3.3	2.7	11.1	11.5	11.4	12.6
NP margin (%)	8.4	16.2	14.3	3.3	12.0	10.4	13.2	9.8	11.3	10.8	11.3	11.8
NP growth (%YoY)	232.1	8.7	58.7	-76.3	39.6	-43.1	-17.3	209.6	112.8	3.3	-0.8	10.8

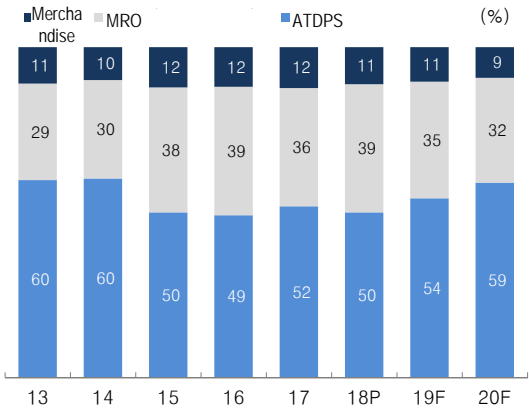
Source: JVM, Daishin Securities Research Center

Fig 1. Yearly earnings



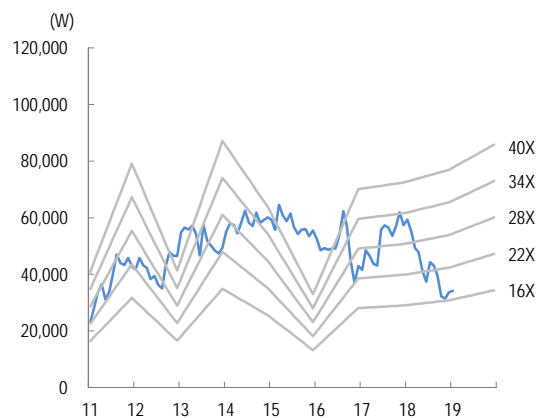
Source: JVM, Daishin Securities Research Center

Fig 2. Revenue breakdown by business



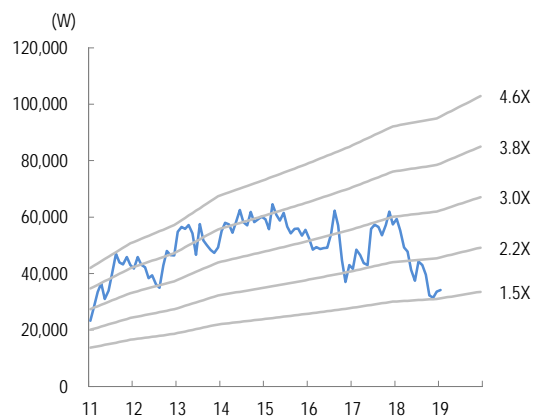
Source: JVM, Daishin Securities Research Center

Fig 3. JVM P/E band



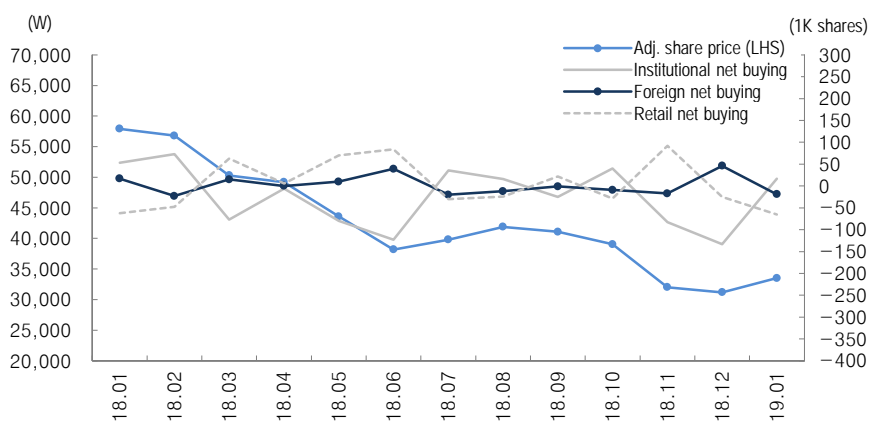
Source: JVM, Daishin Securities Research Center

Fig 4. JVM P/B band



Source: JVM, Daishin Securities Research Center

Fig 5. Monthly net stock purchases by investor group



Source: JVM, Daishin Securities Research Center

Fig 6. Automated dispensing & packaging systems



Source: JVM, Daishin Securities Research Center

Fig 7. Automated dispensing cabinet (ADC)



Source: JVM, Daishin Securities Research Center

Tab 3. Rising demand for pouch-type packaging in N. America (Bottle) and Europe (Blister)

	Korea	Europe	North America	China
ATDPS penetration	About 85%	Less than 10%	Less than 10%	Less than 1%
Packaging	Pouch 	Blister (Bingo card) 	Bottle(vial) 	Box 

Source: JVM, Daishin Securities Research Center

Tab 4. Global peers

Company		Panasonic	Tosho	Omniceil
Country		Japan	Japan	US
Share price (Jan 30)	(\$)	10	30	63
Market cap.	(\$mn)	23,606	1,138	2,490
Revenue (\$mn)	2017A	72,046	218	716
	2018F	75,927	253	791
	2019F	78,931	290	877
OP (\$mn)	2017A	3,344	59	6
	2018F	3,830	68	102
	2019F	3,999	80	132
OP margin (%)	2017A	4.6	27.2	0.8
	2018F	5.0	26.7	12.9
	2019F	5.1	27.4	15.1
NP (\$mn)	2017A	2,130	34	21
	2018F	2,294	41	83
	2019F	2,418	48	100
NP margin (%)	2017A	3.0	15.6	2.9
	2018F	3.0	16.2	10.4
	2019F	3.1	16.6	11.4
P/E (x)	2017A	15.0	41.9	143.6
	2018F	9.8	27.7	30.8
	2019F	9.3	23.6	26.0
P/B (x)	2017A	2.1	6.1	3.6
	2018F	1.3	4.1	4.0
	2019F	1.2	3.6	3.6
EV/EBITDA (x)	2017A	5.7	20.4	31.3
	2018F	4.1	14.3	21.5
	2019F	3.9	12.0	17.3
ROE (%)	2017A	14.4	15.6	4.3
	2018F	13.9	15.8	6.0
	2019F	13.3	16.7	8.3
EPS (\$)	2017A	1.0	0.9	0.3
	2018F	1.0	1.1	2.0
	2019F	1.0	1.3	2.4
FY.M		3	3	12

Source: Bloomberg, Daishin Securities Research Center

Company profile

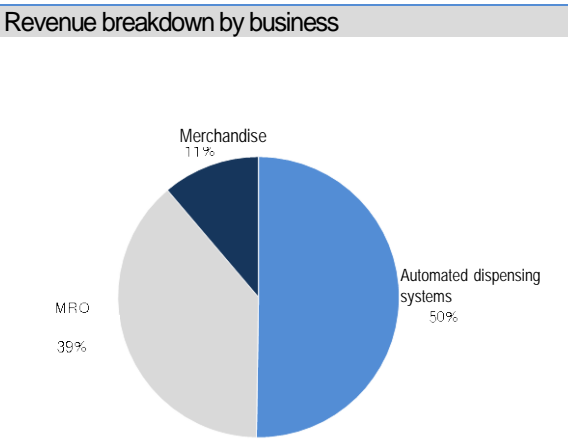
Overview

- Established in 1977 and listed on the KOSDAQ in 2006
- Became a subsidiary of Hanmi Science in 2016
- Develops and manufactures automation systems, for which Hanmi does the marketing
- 2018E sales breakdown: Automated systems 50%, MRO 39%, and merchandise products 11%
- Assets ₩174.5bn, liabilities ₩48.7bn, equity capital ₩125.8bn (3Q18)
- # of outstanding shares 6,330,908 / # of treasury shares 320,900 (3Q18)

Share price catalysts

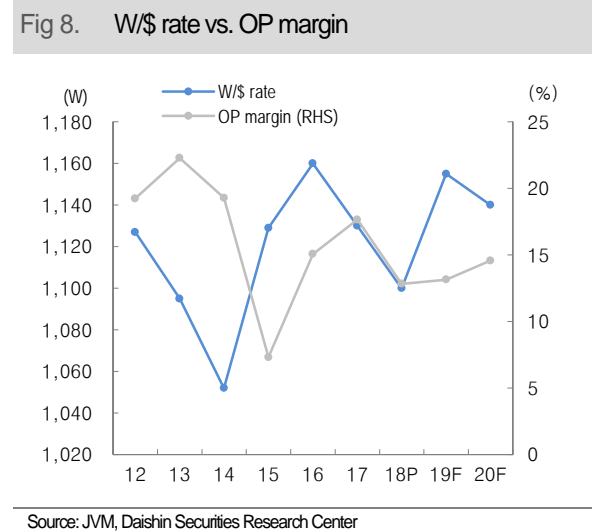
- Won/dollar
- Won/euro
- North American exports
- Performance of new products
- Issues at Hanmi Pharmaceuticals

Source: JVM, Daishin Securities Research Center

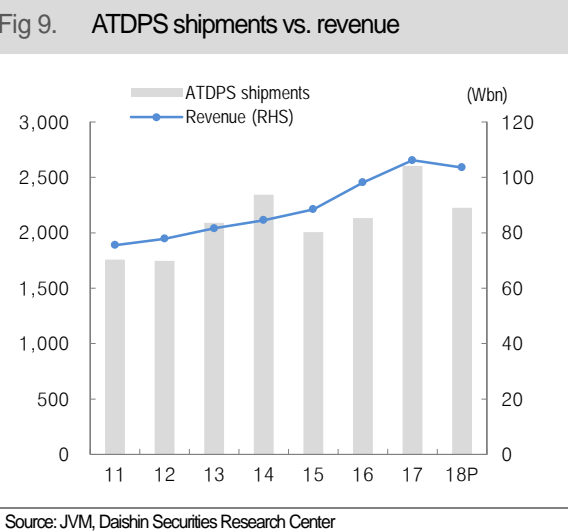


Note: As of 2018.
Source: JVM, Daishin Securities Research Center

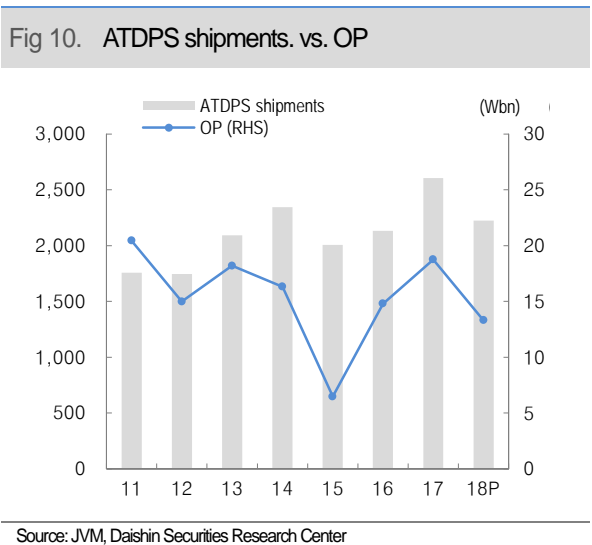
Earnings drivers



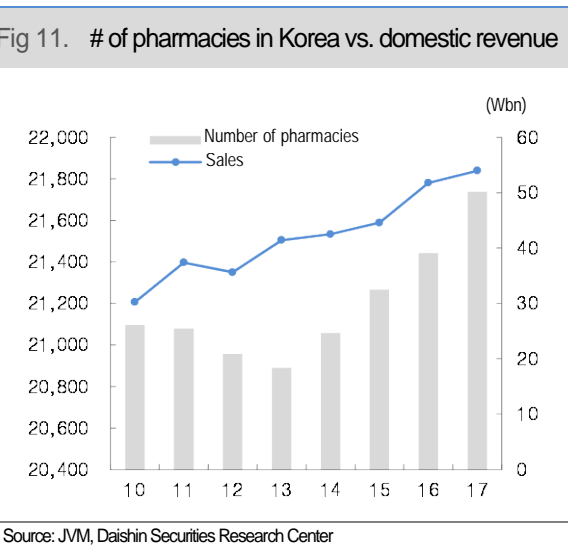
Source: JVM, Daishin Securities Research Center



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Source: JVM, Daishin Securities Research Center

Financial statements

Income statement (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Revenue	98	106	104	116	128
Cost of goods sold	56	61	63	71	77
Gross profit	43	45	40	44	51
SG&A expenses	28	26	27	29	32
OP	15	19	13	15	19
OP margin	15.1	17.7	12.8	13.2	14.6
EBITDA	21	25	19	20	23
Non-OP	-3	-4	-2	1	1
Income from affiliates	0	0	0	0	0
Financial revenue	2	1	2	2	2
FX related gains	1	1	0	0	0
Financial expense	-1	-2	0	0	0
FX related losses	1	1	0	0	0
Others	-3	-3	-4	0	0
Income before taxes	12	15	11	16	20
Income tax expense	-1	-3	-3	-3	-4
Income from cont. op.	11	11	8	13	16
Income from discount. op.	0	0	0	0	0
NP	11	11	8	13	16
NP margin	11.3	10.8	7.9	11.4	12.4
NP for non-contr. interest	0	0	0	0	0
NP for contr. interest	11	11	8	13	16
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	0	0	0	0
Comprehensive income	11	11	8	13	16
Comp. income for non-contr. int.	0	0	0	0	0
Comp. income for contr. int.	11	11	8	13	16

Valuation metrics (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
EPS	1,826	1,895	1,380	2,257	2,714
PER	23.5	30.3	25.5	15.6	13.0
BPS	17,717	19,135	20,137	21,941	24,169
PBR	2.4	3.0	1.7	1.6	1.5
EBITDAPS	3,378	3,954	2,969	3,210	3,704
EV/EBITDA	13.3	14.8	11.5	10.2	8.4
SPS	15,503	16,771	16,370	18,256	20,149
PSR	2.8	3.4	2.1	1.9	1.7
CFPS	3,646	4,709	3,762	4,596	5,090
DPS	320	300	300	300	300

Financial ratios (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
Growth potential					
Sales growth	11.0	8.2	-2.4	11.5	10.4
OP growth	128.6	26.7	-29.0	14.5	21.9
NP growth	112.8	3.3	-28.8	61.7	20.2
Profitability					
ROIC	13.5	13.8	9.7	12.2	14.5
ROA	8.7	10.7	7.5	8.2	9.2
ROE	10.2	9.8	6.6	9.9	10.9
Stability					
Debt ratio	57.5	42.3	41.5	39.2	36.6
Net borrowings ratio	12.1	6.7	-4.7	-11.2	-17.3
Interest coverage ratio	29.4	41.5	35.9	41.1	50.1

Source: JMM, Daishin Securities Research Center

Balance sheet (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Current assets	69	68	78	94	110
Cash & cash equiv.	9	3	8	17	28
Trade & other receive.	23	29	23	25	28
Inventories	18	20	26	29	32
Other current assets	20	15	22	22	22
Long-term assets	107	105	102	100	99
Tangible assets	55	57	57	57	57
Investments in affiliates	0	0	0	0	0
Other long-term assets	52	48	45	43	41
Total assets	177	172	180	193	209
Current liabilities	56	47	49	50	52
Payables & other liab.	13	18	21	23	24
Borrowings	38	25	22	22	22
Current portion of LT debts	0	0	0	0	0
Other current liabilities	5	4	6	6	6
Long-term liabilities	9	4	4	4	4
Borrowings	2	0	0	0	0
Convertible securities	0	0	0	0	0
Other long-term liab.	7	4	4	4	4
Total liabilities	64	51	53	54	56
Controlling interest	112	121	127	139	153
Capital stock	3	3	3	3	3
Capital surplus	48	48	48	48	48
Retained earnings	67	78	84	95	109
Other capital changes	-6	-8	-8	-8	-8
Non-controlling interest	0	0	0	0	0
Total shareholder's equity	112	121	127	139	153
Net borrowings	14	8	-6	-16	-26

Cash flow statement (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Operating cash flows	15	18	22	20	22
NP	11	11	8	13	16
Non-cash items	12	18	16	16	16
Depreciation	7	6	5	5	5
FX gains	0	0	0	0	0
Equity method gain	0	0	0	0	0
Others	5	12	10	11	11
Chg in assets & liab.	-6	-8	-1	-8	-8
Other cash flows	-2	-4	-1	-2	-3
Investing cash flow	-10	-7	-10	-3	-4
Investment assets	0	0	-1	0	0
Tangible assets	-3	-5	-4	-3	-4
Others	-8	-2	-5	0	0
Financing cash flows	1	-17	-3	-1	-1
Short-term borrowings	6	-14	-2	0	0
Bonds payable	0	0	0	0	0
Long-term borrowings	0	-2	0	0	0
Rights offering	0	0	0	0	0
Cash dividends	-1	-1	-2	-2	-2
Others	-3	-1	1	1	1
Net chg in cash	7	-6	4	10	11
Beginning cash balance	3	9	3	8	17
Ending cash balance	9	3	8	17	28
NOPLAT	14	15	10	12	15
FCF	12	9	11	14	16

[Daishin House View: Industry 4.0 safety rating]

- Daishin Securities assigns safety ratings to individual sectors and companies based on analyses and discussions by our analysts.
- Depending on whether Industry 4.0 will have a positive, neutral, or negative impact, each industry and company is assigned one of three safety ratings:

Dark Gray (negative)	Neutral Green (neutral)	Sky Blue (positive)
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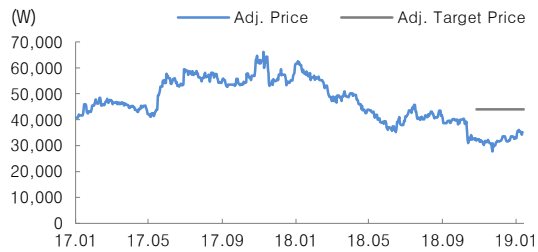
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[Investment rating & Target price history]

JVM (054950 KQ)



Date	19.01.31	19.01.11	18.11.15
Rating	BUY	BUY	BUY
Target price	44,000	44,000	44,000
Diff. (avr. %)		(26.70)	(28.35)
Diff. (max/min., %)		(18.07)	(23.64)
Date			
Rating			
Target price			
Diff. (avr. %)			
Diff. (max/min., %)			
Date			
Rating			
Target price			
Diff. (avr. %)			
Diff. (max/min., %)			
Date			
Rating			
Target price			
Diff. (avr. %)			
Diff. (max/min., %)			

Investment rating breakdown and framework (Jan 28, 2019)

	BUY	MARKETPERFORM	UNDERPERFORM
Ratio	85.7%	13.2%	1.1%

Sector ratings breakdown

- Overweight: industry indicators are expected to outperform the market over the next six months.
- Neutral: industry indicators are expected to be in line with the market over the next six months.
- Underweight: industry indicators are expected to underperform the market over the next six months.

Company ratings breakdown

- Buy: the stock is expected to outperform the market by at least 10%p over the next six months.
- Marketperform: the stock is expected to either outperform or underperform the market by less than 10%p over the next six months.
- Underperform: the stock is expected to underperform the market by at least 10%p over the next six months.