

Vieworks (100120 KQ)

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Rating

BUY

maintain

6MTP (W)

44,000

maintain

CP (W)
(19.02.01)

35,100

Small caps

Earnings Preview

Meaningful recovery in sight

BUY and 6M TP of W44,000 maintained

- Our target price is derived by applying a target P/E of 18x (average multiple of global rivals) to the 2019E EPS.
- Despite the likely narrower margins in 2018 led by the global price declines in x-ray detectors that began in 2017, we keep BUY on Vieworks in light of a meaningful earnings recovery this year as this price downtrend comes to an end. For the whole of 2019, revenue and OP are forecast to increase 16% and 20% yoy, respectively.
- The stock is undervalued, currently trading at 14x 2019E EPS (vs. average P/E of the domestic medical equipment sector at 20x).

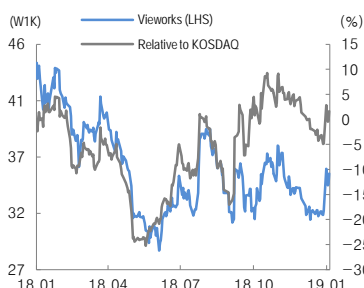
4Q18 revenue likely expanded yoy, but OP slightly missed expectations

- 4Q18 revenue and OP are forecast at W35.6bn (up 12% yoy; up 6% qoq) and W6.3bn (down 8% yoy; down 10% yoy), respectively. Revenue is estimated to come in line with the consensus of W36.3bn, but OP appears to fall short of the consensus of W7.7bn by 18%.
- 4Q18E revenue by business: FP-DR W19.0bn (up 3% yoy), R/F W1.6bn (down 13% yoy), industrial cameras W11.9bn (up 8% yoy), others W3.2bn (up 1,143% yoy).
- Industrial cameras, whose sales are growing in China and other emerging markets, and dental detectors, which were rolled out in May 2018, led the yoy expansion in 4Q18 revenue. (Dental detectors are classified as others.)
- The likely underperformance in OP is attributable to the low revenue growth of high-margin FP-DR, R&D push for new products, and one-off costs including year-end bonuses.

Industry 4.0 safety rating ■ Sky Blue

KOSDAQ	716.92
Market cap (Wbn)	351
Market cap portion (%)	0.15
Paid-in capital (common; Wbn)	5
52w high/low (W)	44,200 / 28,600
120d avg. trading volume (Wbn)	1.4
Foreign ownership (%)	33.23
Major shareholders	Kim Hoo-shik+5: 28.42% Templeton Asset Mgmt., Ltd.+3: 11.00%

(%)	1M	3M	6M	12M
Abs. return	6.4	7.8	3.5	-20.6
Rel. return	0.2	-1.1	14.1	0.6



	4Q17	3Q18	Previous estimate	Daishin estimate	4Q18(F)			1Q19(F)		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	32	34	37	36	12.3	5.5	36	36	22.0	0.6
OP	7	7	8	6	-7.8	-9.8	7	6	45.7	-4.9
NP	4	6	7	5	37.8	-2.3	7	6	75.5	2.0

	2016	2017	Previous estimate	Daishin estimate	2018(F)		Growth	
					Chg	Consensus	2017	2018(F)
Revenue	117	123	131	129	-0.8	127	5.2	4.9
OP	30	29	23	22	-7.4	23	-6.0	-24.1
NP	27	20	22	21	-6.5	22	-27.2	5.7

Source: Vieworks, FnGuide, Daishin Securities Research Center

Operating results and major financial data

	2016A	2017A	2018F	2019F	2020F
Revenue	117	123	129	150	171
OP	30	29	22	26	29
Pretax profit	33	23	23	27	31
NP	27	20	21	24	27
NP (controlling int.)	27	20	21	24	27
EPS	2,704	1,975	2,101	2,465	2,765
PER	22.1	20.7	16.7	14.2	12.7
BPS	11,032	12,614	14,522	16,622	19,081
PBR	5.4	3.2	2.4	2.1	1.8
ROE	27.7	16.6	15.3	15.6	15.3

Note: EPS, BPS, and ROE are based only on the controlling interest.

Source: Vieworks, Daishin Securities Research Center

Yearly earnings forecast revision					(Wbn, W, %, %p)	
	Previous		Revised		Chg	
	2018F	2019F	2018F	2019F	2018F	2019F
Revenue	131	155	129	150	-0.8	-3.2
SG&A expense	42	47	42	49	2.3	3.9
OP	23	31	22	26	-7.4	-15.0
OP margin	18.0	19.8	16.8	17.3	-1.2	-2.4
Non-operating profit	2	-1	2	1	-18.7	Profit reduced
Pretax profit	26	30	23	27	-8.3	-8.4
NP (controlling int.)	22	26	21	24	-6.5	-7.4
NP margin	16.9	16.9	16.0	16.2	-1.0	-0.7
EPS (controlling int.)	2,247	2,662	2,101	2,465	-6.5	-7.4
Source: Vieworks, Daishin Securities Research Center						

Tab 1. Vieworks earnings forecast (revised)

(Wbn, %)

	2017				2018				2016	2017	2018F	2019F
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF				
Revenue	32.1	31.7	27.7	31.7	29.3	30.6	33.8	35.6	117.3	123.5	129.5	150.2
CCD-DR	0.1	0.1	0.2	0.2					2.3	0.5		
FP-DR	14.9	16.2	13.3	18.5	16.5	13.7	16.7	19.0	71.0	62.8	65.9	78.7
R/F	2.0	1.6	1.3	1.8	1.5	1.4	1.5	1.6	4.8	6.7	6.0	6.0
Industrial camera	15.1	13.6	12.7	11.0	10.3	12.6	14.5	11.9	38.3	52.5	49.2	52.8
Others	0.2	0.3	0.2	0.3	1.1	3.0	1.1	3.2	0.8	0.9	8.3	12.7
Chg (%YoY)												
Revenue	34.5	34.7	-13.6	-15.7	-8.7	-3.4	21.6	12.3	25.5	5.2	4.9	16.0
CCD-DR	-90.2	-87.4	-56.1	-66.9	-100.0	-100.0	-100.0	-100.0	-19.2	-77.0	-100.0	
FP-DR	-5.5	4.9	-29.4	-12.2	10.7	-15.1	25.4	2.9	12.3	-11.6	4.9	19.5
R/F	32.2	75.2	40.1	24.4	-22.6	-15.0	17.4	-12.7	-29.2	39.6	-10.3	0.5
Industrial camera	164.5	110.8	7.9	-23.2	-31.8	-7.6	13.4	8.0	92.3	36.9	-6.2	7.1
Others	-6.7	-6.7	51.3	16.7	585.7	983.4	369.8	1,143.0	29.7	10.4	799.6	52.5
OP	7.6	7.5	6.7	6.8	4.1	4.4	7.0	6.3	30.5	28.6	21.7	26.1
OP margin (%)	23.7	23.5	24.2	21.4	13.9	14.4	20.6	17.6	26.0	23.2	16.8	17.3
OP growth (%YoY)	58.4	34.7	-13.9	-44.6	-46.5	-40.6	3.2	-7.8	65.8	-6.0	-24.1	19.8
NP (contr. int.)	3.1	7.2	5.3	4.0	3.2	6.4	5.6	5.5	27.0	19.6	20.7	24.3
NP margin (%)	9.8	22.6	19.1	12.6	10.9	20.8	16.7	15.5	23.0	15.9	16.0	16.2
NP growth (%YoY)	-21.4	35.1	11.5	-69.0	2.1	-11.4	6.6	37.9	69.7	-27.2	5.7	17.3

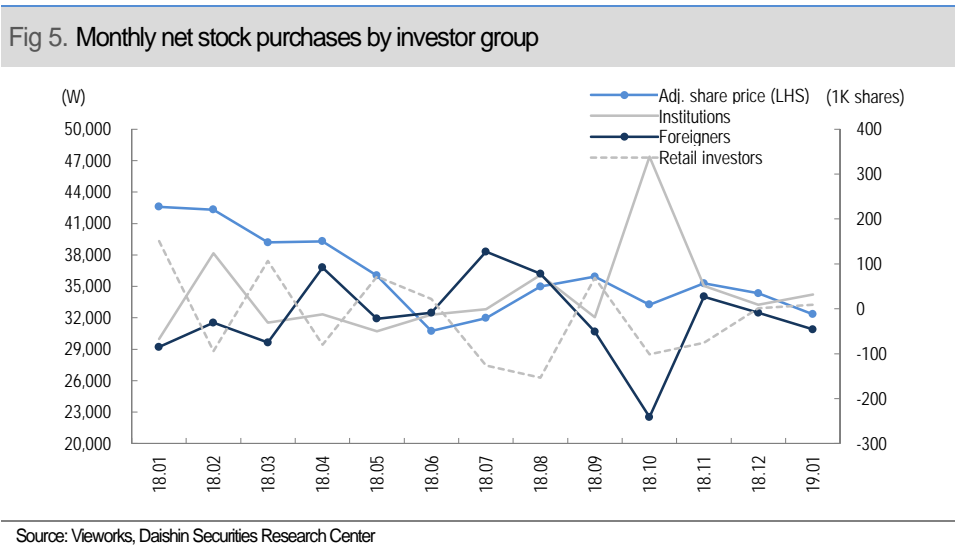
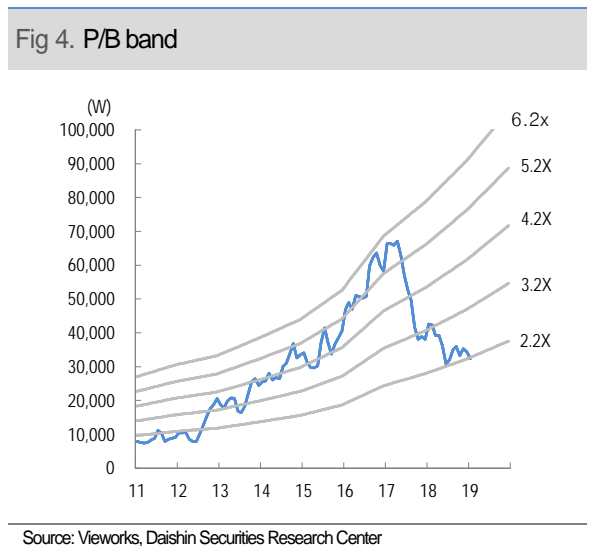
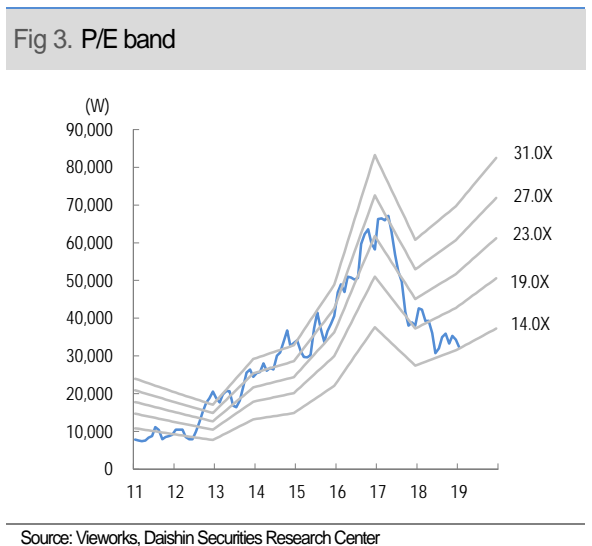
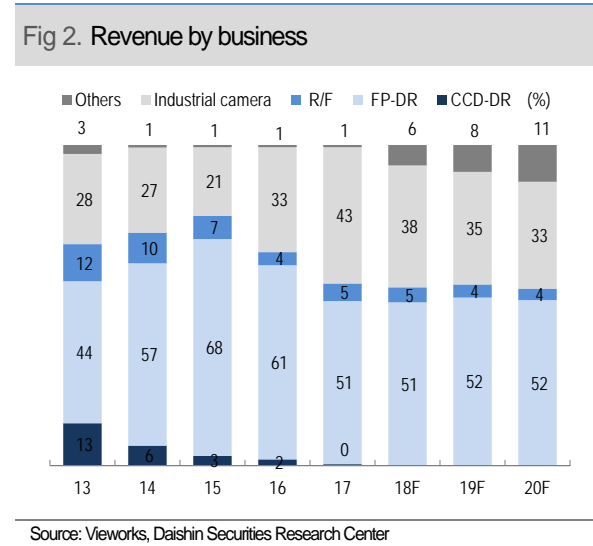
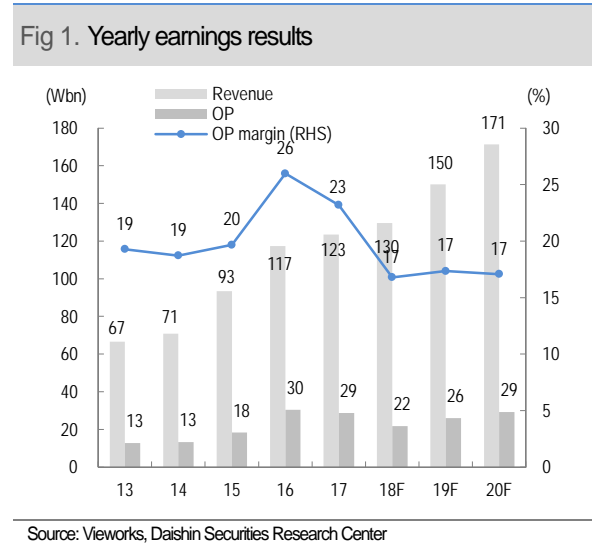
Source: Vieworks, Daishin Securities Research Center

Tab 2. Vieworks earnings forecast (previous)

(Wbn, %)

	2017				2018				2016	2017	2018F	2019F
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF				
Revenue	32.1	31.7	27.7	31.7	29.3	30.6	33.8	36.7	117.3	123.5	130.6	155.1
CCD-DR	0.1	0.1	0.2	0.2					2.3	0.5		
FP-DR	14.9	16.2	13.3	18.5	16.5	13.7	16.7	19.7	71.0	62.8	66.6	74.4
R/F	2.0	1.6	1.3	1.8	1.5	1.4	1.5	3.7	4.8	6.7	8.1	21.2
Industrial camera	15.1	13.6	12.7	11.0	10.3	12.6	14.5	12.0	38.3	52.5	49.4	53.1
Others	0.2	0.3	0.2	0.3	1.1	3.0	1.1	1.4	0.8	0.9	6.5	6.4
Chg (%YoY)												
Revenue	34.5	34.7	-13.6	-15.7	-8.7	-3.4	21.6	15.7	25.5	5.2	5.8	18.8
CCD-DR	-90.2	-87.4	-56.1	-66.9	-100.0	-100.0	-100.0	-100.0	-19.2	-77.0	-100.0	
FP-DR	-5.5	4.9	-29.4	-12.2	10.7	-15.1	25.4	6.5	12.3	-11.6	5.9	11.8
R/F	32.2	75.2	40.1	24.4	-22.6	-15.0	17.4	104.6	-29.2	39.6	21.0	160.8
Industrial camera	164.5	110.8	7.9	-23.2	-31.8	-7.6	13.4	9.1	92.3	36.9	-5.9	7.6
Others	-6.7	-6.7	51.3	16.7	585.7	983.4	369.8	433.5	29.7	10.4	604.9	-1.4
OP	7.6	7.5	6.7	6.8	4.1	4.4	7.0	8.0	30.5	28.6	23.5	30.7
OP margin (%)	23.7	23.5	24.2	21.4	13.9	14.4	20.6	21.8	26.0	23.2	18.0	19.8
OP growth (%YoY)	58.4	34.7	-13.9	-44.6	-46.5	-40.6	3.2	17.8	65.8	-6.0	-18.0	30.5
NP (contr. int.)	3.1	7.2	5.3	4.0	3.2	6.4	5.6	7.0	27.0	19.6	22.2	26.3
NP margin (%)	9.8	22.6	19.1	12.6	10.9	20.8	16.7	18.9	23.0	15.9	17.0	16.9
NP growth (%YoY)	-21.4	35.1	11.5	-69.0	2.1	-11.4	6.6	73.8	69.7	-27.2	13.0	18.5

Source: Vieworks, Daishin Securities Research Center



Tab 3. Global peers

Company		Canon	Varex Imaging	Teledyne Technologies	Rayence
Country		Japan	US	US	Korea
Share price (Feb 1)	(\$)	29	28	224	14
Market cap	(\$mn)	38,482	1,086	8,090	229
Revenue (\$mn)	2017A	36,390	698	2,604	94
	2018F	35,800	773	2,902	106
	2019F	35,963	764	3,014	123
OP (\$mn)	2017A	2,956	84	336	15
	2018F	3,107	45	417	19
	2019F	2,995	90	452	25
OP margin (%)	2017A	8.1	12.0	12.9	16.2
	2018F	8.7	5.8	14.4	18.2
	2019F	8.3	11.8	15.0	19.9
NP (\$mn)	2017A	2,158	52	227	13
	2018F	2,290	28	334	15
	2019F	2,147	53	343	19
NP margin (%)	2017A	5.9	7.4	8.7	13.5
	2018F	6.4	3.6	11.5	14.6
	2019F	6.0	6.9	11.4	15.8
P/E (x)	2017A	18.8	21.1	28.2	20.7
	2018F	12.8	25.3	24.2	13.2
	2019F	14.4	22.3	24.2	11.7
P/B (x)	2017A	1.6	3.4	3.3	1.7
	2018F	1.1	2.6	3.4	1.7
	2019F	1.1	2.3	N/A	1.2
EV/EBITDA (x)	2017A	5.5	13.4	13.0	9.2
	2018F	5.5	13.4	13.0	9.2
	2019F	7.5	12.3	15.3	5.4
ROE (%)	2017A	8.6	14.5	13.0	8.4
	2018F	8.9	6.8	16.0	10.6
	2019F	8.0	11.5	N/A	11.1
EPS (\$)	2017A	2.3	1.6	6.4	0.8
	2018F	2.2	1.1	8.6	1.9
	2019F	2.0	1.3	9.3	1.2
FY.M		12	9	12	12

Source: Bloomberg, Daishin Securities Research Center

Company profile

Overview

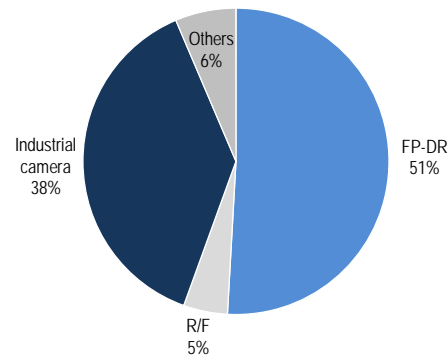
- Established in 1999; Listed on the KOSDAQ market in 2009
- Revenue by business (as of 2018): medical detectors 51%, industrial cameras 38%, R/F 5%, and others (including dental detectors) 6%
- The cash cow is FP-DR, which is a core component of X-ray systems.
- Asses W152.9bn, liabilities W15.2bn, equities W137.7bn (3Q18)
- # of outstanding shares: 10,001,865 / # of treasury shares: 84,417

Share price catalysts

- Global customer base for FP-DR
- Won-dollar exchange rates and won-euro exchange rates
- Growth in global X-ray systems / detectors market
- New products (video detectors and industrial cameras)

Source: Vieworks, Daishin Securities Research Center

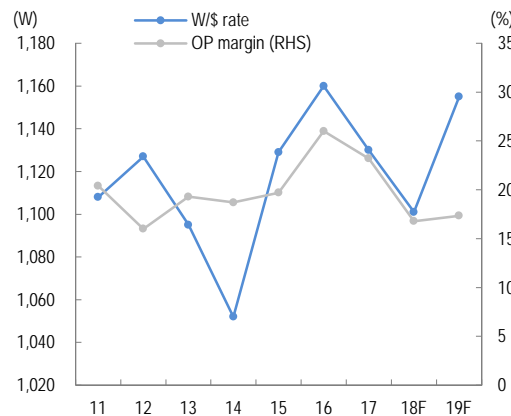
Revenue by business



Note: Based on 2018E revenue.
Source: Vieworks, Daishin Securities Research Center

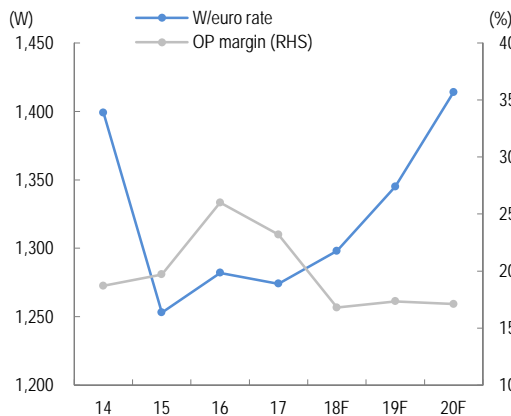
Earnings drivers

Fig 6. W/\$ rate vs. OP margin



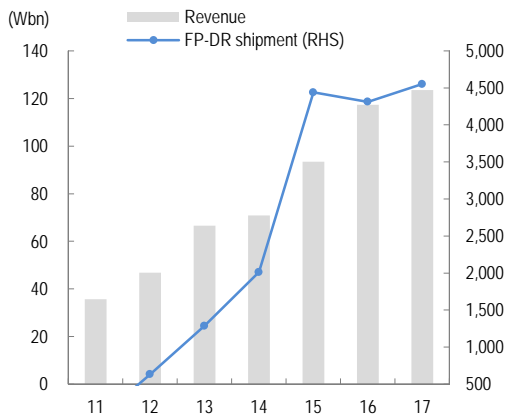
Source: Vieworks, Daishin Securities Research Center

Fig 7. W/euro rate vs. OP margin



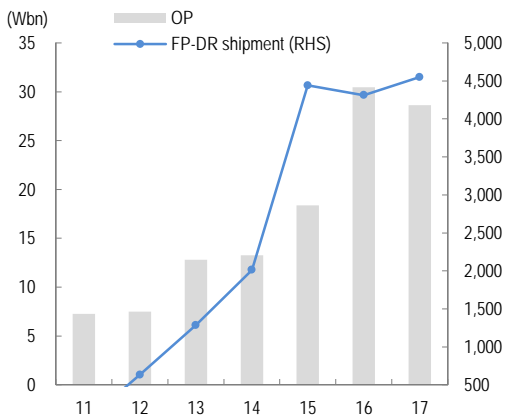
Source: Vieworks, Daishin Securities Research Center

Fig 8. FP-DR serves as the cash cow



Source: Vieworks, Daishin Securities Research Center

Fig 9. Growth in FP-DR shipments leads to higher OP



Source: Vieworks, Daishin Securities Research Center

Financial statements

Income statement (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Revenue	117	123	129	150	171
Cost of goods sold	57	61	65	76	86
Gross profit	60	62	64	75	85
SG&A expenses	30	33	42	49	56
OP	30	29	22	26	29
OP margin	26.0	23.2	16.8	17.3	17.1
EBITDA	34	32	27	30	35
Non-OP	3	-5	2	1	2
Income from affiliates	0	0	0	0	0
Financial revenue	4	1	4	3	3
FX related gains	0	0	0	0	0
Financial expense	-1	-7	-2	-2	-2
FX related losses	1	7	1	1	1
Others	0	0	0	0	0
Income before taxes	33	23	23	27	31
Income tax expense	-7	-4	-3	-3	-4
Income from cont. op.	27	20	21	24	27
Income from discount op.	0	0	0	0	0
NP	27	20	21	24	27
NP margin	22.9	15.9	16.0	16.2	15.9
NP for non-contr. interest	0	0	0	0	0
NP for contr. interest	27	20	21	24	27
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	0	0	0	0
Comprehensive income	27	20	21	24	27
Comp. income for non-contr. int.	0	0	0	0	0
Comp. income for contr. int.	27	20	21	24	27

Valuation metrics (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
EPS	2,704	1,975	2,101	2,465	2,765
PER	22.1	20.7	16.7	14.2	12.7
BPS	11,032	12,614	14,522	16,622	19,081
PBR	5.4	3.2	2.4	2.1	1.8
EBITDAPS	3,397	3,236	2,737	3,002	3,517
EV/EBITDA	16.4	11.2	10.9	9.9	8.0
SPS	11,728	12,344	12,944	15,016	17,139
PSR	5.1	3.3	2.5	2.3	2.0
CFPS	3,712	3,234	2,997	2,265	3,778
DPS	200	200	300	300	300

Financial ratios (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
Growth potential					
Revenue growth	25.5	5.2	4.9	16.0	14.1
OP growth	65.8	-6.0	-24.1	19.8	12.3
NP growth	70.3	-27.0	5.4	17.4	12.1
Profitability					
ROIC	36.3	31.4	21.9	22.2	21.9
ROA	26.8	21.4	14.6	15.2	15.0
ROE	27.7	16.6	15.3	15.6	15.3
Stability					
Debt ratio	17.7	9.2	10.4	9.5	8.7
Net borrowings ratio	-36.4	-37.2	-35.9	-32.3	-36.4
Interest coverage ratio	3,867.1	2,866.9	23.4	23.1	28.5

Source: Vieworks, Daishin Securities Research Center

Balance sheet (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Current assets	92	99	114	124	149
Cash & cash equiv.	35	37	44	45	61
Trade & other receive.	25	23	34	39	44
Inventories	22	22	24	28	32
Other current assets	10	17	12	12	12
Long-term assets	38	39	47	58	58
Tangible assets	32	32	37	48	48
Investments in affiliates	0	0	0	0	0
Other long-term assets	6	7	10	9	10
Total assets	130	138	160	182	207
Current liabilities	17	11	12	13	14
Payables & other liab.	9	7	7	8	9
Borrowings	0	0	2	2	2
Current portion of LT debts	1	0	0	0	0
Other current liabilities	7	3	4	4	4
Long-term liabilities	3	1	3	3	3
Borrowings	0	0	0	0	0
Convertible securities	0	0	0	0	0
Other long-term liab.	3	1	3	3	3
Total liabilities	20	12	15	16	17
Controlling interest	110	126	145	166	191
Capital stock	5	5	5	5	5
Capital surplus	10	10	10	10	10
Retained earnings	96	114	133	154	178
Other capital changes	-1	-3	-3	-3	-3
Non-controlling interest	0	0	0	0	0
Total shareholder's equity	110	126	145	166	191
Net borrowings	-40	-47	-52	-54	-69

Cash flow statement (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Operating cash flows	20	19	10	5	20
NP	27	20	21	24	27
Non-cash items	10	13	9	-2	11
Depreciation	4	4	6	4	6
FX gains	-2	3	0	0	0
Equity method gain	0	0	0	0	0
Others	8	6	3	-6	4
Chg in assets & liab.	-13	-6	-19	-16	-16
Other cash flows	-4	-7	-1	-2	-2
Investing cash flow	-9	-8	-13	-5	-6
Investment assets	-1	-1	0	0	0
Tangible assets	-4	-3	-7	-2	-2
Others	-4	-4	-6	-3	-4
Financing cash flows	-2	-5	-1	-3	-3
Short-term borrowings	0	0	1	0	0
Bonds payable	0	0	0	0	0
Long-term borrowings	0	0	0	0	0
Rights offering	0	0	0	0	0
Cash dividends	-1	-2	-2	-3	-3
Others	-1	-3	0	0	0
Net chg in cash	10	3	7	2	16
Beginning cash balance	25	35	37	44	45
Ending cash balance	35	37	44	45	61
NOPLAT	25	24	19	23	26
FCF	24	23	12	22	26

[Daishin House View: Industry 4.0 safety rating]

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- 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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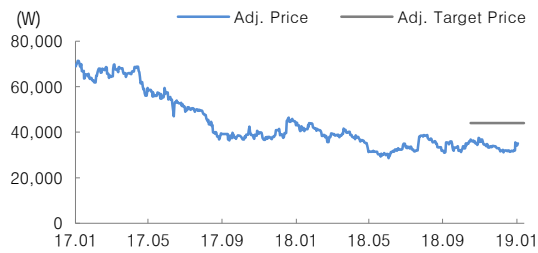
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[Investment rating & Target price history]

Vieworks (100120 KQ)



Date	19.02.07	18.11.15
Rating	BUY	BUY
Target price	44,000	44,000
Diff. (avr. %)		(23.07)
Diff. (max/min, %)		(14.89)
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 30, 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.