

Huvitz

(065510 KQ)

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Rating **BUY**
maintain

6MTP (W) **10,300**
maintain

CP (W)
(19.02.01) **8,540**
Small caps

Decent 4Q18 results expected

BUY; TP maintained at W10,300

- Our W10,300 target price for Huvitz is based on the EPS estimate for fiscal 2019 and a P/E of 15.1, which implies a 25% discount to the average 2019E multiple applied to domestic medical equipment providers. The optometric equipment supplier's 2019 NP growth is forecast to fall short of the market's expectations for the broad medical equipment segment by more than 25%.
- Machines supplied to optical stores, a cash cow for the company, reported negative sales growth last year in the face of competition from low-price Japanese rivals.
- Still, we maintain BUY on Huvitz in view of the healthy growth potential for its new product for eye clinics (launched in 1Q18) and OCT (coherence tomography) products.

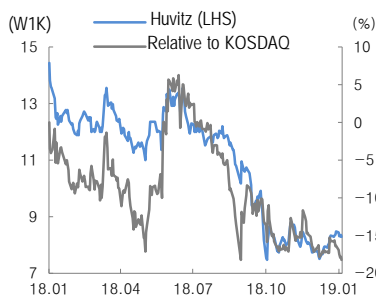
Q4 review

- For the latest quarter, Huvitz is poised to report revenue of W20.5bn (up 5% qoq; up 12% yoy) and OP of W2.4bn (up 6% qoq; up 10% yoy).
- Machines for optical stores likely eked out 2% yoy revenue growth at W12.9bn, hurt by low-price competition. Sales of machines for eye clinics likely jumped 42% yoy to W4bn, backed by the strong performance of OCT products. Consolidated subsidiaries are expected to report a combined W3.4bn in revenue, up 29% yoy.
- High-profit diagnostic devices, which require sophisticated technology, will drive the company's future growth.

2019 outlook

- We project the company to report a 10% yoy increase in revenue to W84.8bn and a 13% yoy rise in OP to W10.2bn in 2019, bolstered by stronger OCT exports.

| | | | | |
|---|---|------|-------|-------|
| Industry 4.0 safety rating ■ Sky Blue | | | | |
| KOSDAQ | 716.92 | | | |
| Market cap (Wbn) | 101 | | | |
| Market cap portion (%) | 0.04 | | | |
| Paid-in capital (common; Wbn) | 6 | | | |
| 52w high/low (W) | 13,600/7,750 | | | |
| 120d avg. trading volume (Wbn) | 0.4 | | | |
| Foreign ownership (%) | 7.97 | | | |
| Major shareholders | Kim Hyeon-su+3: 26.51% Mondrian Investment Partners Limited: 5.53% | | | |
| (%) | 1M | 3M | 6M | 12M |
| Abs. return | 6.1 | -1.4 | -30.6 | -37.2 |
| Rel. return | 0.0 | -9.6 | -23.5 | -20.5 |



| | 4Q17 | 3Q18 | Previous estimate | Result | 4Q18(F) | | | 1Q19(F) | | |
|---------|------|------|-------------------|--------|---------|-------|-----------|------------------|------|-------|
| | | | | | YoY | QoQ | Consensus | Daishin estimate | YoY | QoQ |
| Revenue | 18 | 19 | 20 | 20 | 12.0 | 5.2 | 20 | 20 | 23.7 | -0.5 |
| OP | 2 | 3 | 3 | 2 | 10.1 | -5.8 | 3 | 2 | 89.3 | -1.0 |
| NP | -3 | 1 | 1 | 1 | TTB | -33.5 | 1 | 2 | 47.1 | 105.5 |

| | 2016 | 2017 | Previous estimate | Daishin estimate | 2018(F) | | Growth | |
|---------|------|------|-------------------|------------------|---------|-----------|--------|---------|
| | | | | | Change | Consensus | 2017 | 2018(F) |
| Revenue | 67 | 70 | 77 | 77 | 0.1 | 79 | 5.2 | 9.7 |
| OP | 12 | 9 | 9 | 9 | -3.8 | 10 | -26.7 | -0.4 |
| NP | 11 | 3 | 7 | 7 | -4.2 | 9 | -71.9 | 126.5 |

Source: Huvitz, FnGuide, Daishin Securities Research Center

Operating results and major financial data

| | (Wbn, W, x, %) | | | | |
|------------------|----------------|-------|-------|-------|-------|
| | 2016A | 2017A | 2018F | 2019F | 2020F |
| Revenue | 67 | 70 | 77 | 85 | 91 |
| OP | 12 | 9 | 9 | 10 | 13 |
| Pretax profit | 13 | 4 | 7 | 9 | 12 |
| NP | 11 | 3 | 7 | 8 | 10 |
| NP (contr. int.) | 11 | 3 | 7 | 8 | 10 |
| EPS | 956 | 268 | 607 | 680 | 842 |
| PER | 14.3 | 49.8 | 14.1 | 12.6 | 10.1 |
| BPS | 6,502 | 6,622 | 7,126 | 7,643 | 8,319 |
| PBR | 2.1 | 2.0 | 1.2 | 1.1 | 1.0 |
| ROE | 15.1 | 4.0 | 8.6 | 9.0 | 10.3 |

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

| Yearly earnings forecast revision | | | | | (Wbn, W, %, %p) | |
|-----------------------------------|----------|-------|---------|-------|-----------------|-------|
| | Previous | | Revised | | Chg | |
| | 2018F | 2019F | 2018F | 2019F | 2018F | 2019F |
| Revenue | 77 | 84 | 77 | 85 | 0.1 | 0.4 |
| Selling & adm. expense | 21 | 23 | 22 | 24 | 1.2 | 1.9 |
| OP | 9 | 11 | 9 | 10 | -3.8 | -4.7 |
| OP margin | 12.2 | 12.7 | 11.7 | 12.1 | -0.5 | -0.6 |
| Non-operating profit | -2 | -1 | -2 | -1 | CL | CL |
| Pretax profit | 8 | 10 | 7 | 9 | -4.6 | -5.2 |
| NP (controlling int.) | 7 | 9 | 7 | 8 | -4.2 | -9.0 |
| NP margin | 10.0 | 10.9 | 9.5 | 9.9 | -0.4 | -1.0 |
| EPS (controlling int.) | 634 | 748 | 607 | 680 | -4.2 | -9.0 |

Source: Huvitz, Daishin Securities Research Center

Tab 1. Earnings trend (revised)

(Wbn, %)

| | 2017 | | | | 2018 | | | | 2016 | 2017 | 2018F | 2019F |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QF | | | | |
| Revenue | 15.5 | 18.4 | 18.1 | 18.3 | 16.5 | 20.8 | 19.5 | 20.5 | 66.9 | 70.4 | 77.2 | 84.8 |
| Equipment for opticians | 12.9 | 14.4 | 13.9 | 12.7 | 12.3 | 14.1 | 12.4 | 12.9 | 53.2 | 53.8 | 51.8 | 52.4 |
| Equipment for eye clinics | 1.3 | 2.3 | 1.9 | 2.8 | 2.5 | 3.2 | 3.4 | 4.0 | 7.0 | 8.3 | 13.1 | 17.1 |
| Microscope | 0.2 | 0.1 | 0.0 | 0.0 | 0.5 | 0.3 | 0.0 | 0.0 | 1.1 | 0.2 | 0.8 | 0.0 |
| Others | 0.0 | 0.1 | 0.4 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.5 | 0.7 | 0.9 | 0.9 |
| Shanghai Huvitz/HS Partners | 1.1 | 1.7 | 1.9 | 2.6 | 0.9 | 2.8 | 3.5 | 3.4 | 5.0 | 7.2 | 10.6 | 14.4 |
| Growth (%YoY) | | | | | | | | | | | | |
| Revenue | -9.5 | 3.1 | 14.8 | 13.6 | 6.0 | 12.7 | 7.4 | 12.0 | -8.0 | 5.2 | 9.7 | 9.8 |
| Equipment for opticians | -6.9 | 4.7 | 10.0 | -2.3 | -4.4 | -1.7 | -10.6 | 1.9 | 3.8 | 1.2 | -3.8 | 1.1 |
| Equipment for eye clinics | -13.8 | -2.5 | 26.8 | 69.9 | 86.6 | 42.7 | 74.5 | 42.1 | -1.9 | 18.3 | 57.0 | 31.1 |
| Microscope | -47.7 | -75.5 | -99.6 | -99.7 | 218.0 | 403.3 | 0.0 | 0.0 | -63.0 | -79.8 | 265.2 | -100.0 |
| Others | 8.3 | 127.8 | 101.9 | -7.6 | 441.0 | 275.6 | -60.0 | 8.3 | 0.4 | 48.4 | 22.0 | -1.6 |
| Shanghai Huvitz/HS Partners | -21.9 | 7.4 | 59.3 | 183.9 | -18.0 | 69.6 | 86.4 | 29.2 | -52.9 | 43.4 | 46.1 | 35.7 |
| OP | 1.7 | 3.2 | 2.1 | 2.2 | 1.2 | 2.9 | 2.5 | 2.4 | 12.4 | 9.1 | 9.1 | 10.2 |
| OP margin (%) | 10.9 | 17.1 | 11.6 | 11.8 | 7.5 | 14.1 | 13.0 | 11.6 | 18.6 | 12.9 | 11.7 | 12.1 |
| Growth (YoY) | -47.0 | -14.1 | -2.3 | -36.6 | -26.9 | -7.1 | 20.3 | 10.1 | 18.2 | -26.7 | -0.4 | 12.7 |
| NP (contr. int.) | 0.6 | 3.3 | 1.7 | -2.5 | 1.2 | 3.6 | 1.3 | 0.9 | 11.1 | 3.1 | 7.0 | 7.9 |
| Margin (%) | 3.8 | 18.1 | 9.5 | -13.9 | 7.5 | 17.3 | 6.8 | 4.3 | 16.5 | 4.4 | 9.1 | 9.3 |
| Growth (YoY) | -74.2 | -5.2 | 1.0 | TTR | 109.6 | 7.7 | -23.2 | TTB | 69.4 | -71.9 | 126.5 | 12.0 |

Source: Huvitz, Daishin Securities Research Center

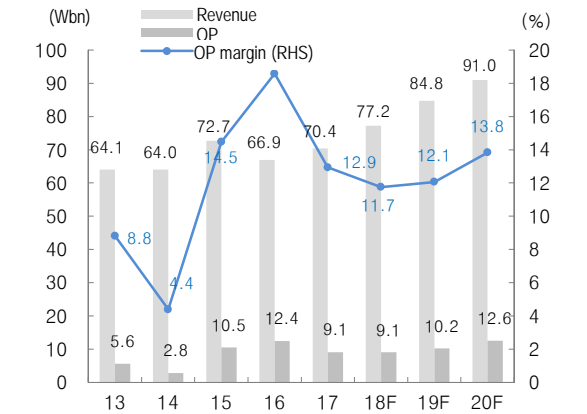
Tab 2. Earnings trend (previous)

(Wbn, %)

| | 2017 | | | | 2018 | | | | 2016 | 2017 | 2018F | 2019F |
|-----------------------------|------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QF | | | | |
| Revenue | 15.5 | 18.4 | 18.1 | 18.3 | 16.5 | 20.8 | 19.5 | 20.4 | 66.9 | 70.4 | 77.1 | 84.4 |
| Equipment for opticians | | 14.4 | 13.9 | 12.7 | 12.3 | 14.1 | 12.4 | 13.0 | 53.2 | 53.8 | 51.9 | 54.1 |
| Equipment for eye clinics | | 2.3 | 1.9 | 2.8 | 2.5 | 3.2 | 3.4 | 4.0 | 7.0 | 8.3 | 13.1 | 15.3 |
| Microscope | | 0.1 | 0.0 | 0.0 | 0.5 | 0.3 | 0.0 | 0.0 | 1.1 | 0.2 | 0.8 | 0.0 |
| Others | | 0.1 | 0.4 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.5 | 0.7 | 0.9 | 0.9 |
| Shanghai Huvitz/HS Partners | | 1.7 | 1.9 | 2.6 | 0.9 | 2.8 | 3.5 | 3.1 | 5.0 | 7.2 | 10.4 | 14.1 |
| Growth (%YoY) | | | | | | | | | | | | |
| Revenue | | 3.1 | 14.8 | 13.6 | 6.0 | 12.7 | 7.4 | 11.5 | -8.0 | 5.2 | 9.5 | 9.5 |
| Equipment for opticians | | 4.7 | 10.0 | -2.3 | -4.4 | -1.7 | -10.6 | 2.6 | 3.8 | 1.2 | -3.6 | 4.3 |
| Equipment for eye clinics | | -2.5 | 26.8 | 69.9 | 86.6 | 42.7 | 74.5 | 43.6 | -1.9 | 18.3 | 57.5 | 16.9 |
| Microscope | | -75.5 | -99.6 | -99.7 | 218.0 | 403.3 | 0.0 | 0.0 | -63.0 | -79.8 | 265.2 | -100.0 |
| Others | | 127.8 | 101.9 | -7.6 | 441.0 | 275.6 | -60.0 | 8.3 | 0.4 | 48.4 | 22.0 | -1.6 |
| Shanghai Huvitz/HS Partners | | 7.4 | 59.3 | 183.9 | -18.0 | 69.6 | 86.4 | 20.8 | -52.9 | 43.4 | 43.0 | 36.0 |
| OP | 1.7 | 3.2 | 2.1 | 2.2 | 1.2 | 2.9 | 2.5 | 2.7 | 12.4 | 9.1 | 9.4 | 10.7 |
| OP margin (%) | | 17.1 | 11.6 | 11.8 | 7.5 | 14.1 | 13.0 | 13.4 | 18.6 | 12.9 | 12.2 | 12.7 |
| Growth (YoY) | | -14.1 | -2.3 | -36.6 | -26.9 | -7.1 | 20.3 | 26.6 | 18.2 | -26.7 | 3.5 | 13.9 |
| NP (contr. int.) | 0.6 | 3.3 | 1.7 | -2.5 | 1.2 | 3.6 | 1.3 | 1.2 | 11.1 | 3.1 | 7.4 | 8.7 |
| Margin (%) | | 18.1 | 9.5 | -13.9 | 7.5 | 17.3 | 6.8 | 5.8 | 16.5 | 4.4 | 9.5 | 10.3 |
| Growth (YoY) | | -5.2 | 1.0 | TTR | 109.6 | 7.7 | -23.2 | TTB | 69.4 | -71.9 | 136.4 | 18.0 |

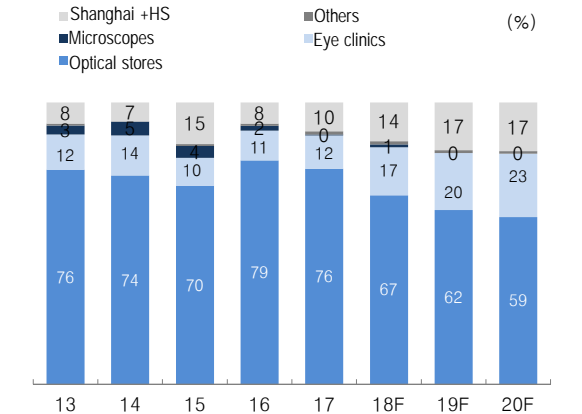
Source: Huvitz, Daishin Securities Research Center

Fig 1. Annual earnings



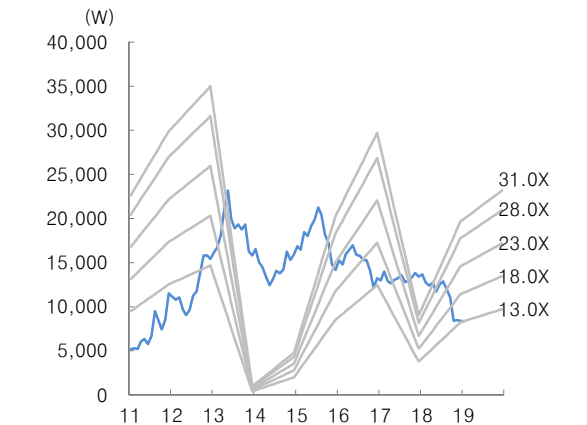
Source: Huvtz, Daishin Securities Research Center

Fig 2. Sales mix



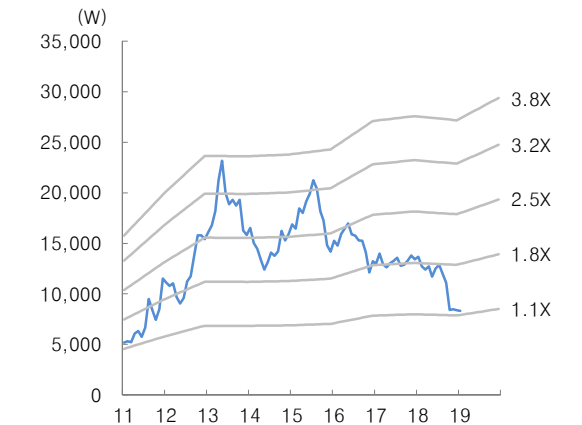
Source: Huvtz, Daishin Securities Research Center

Fig 3. P/E band



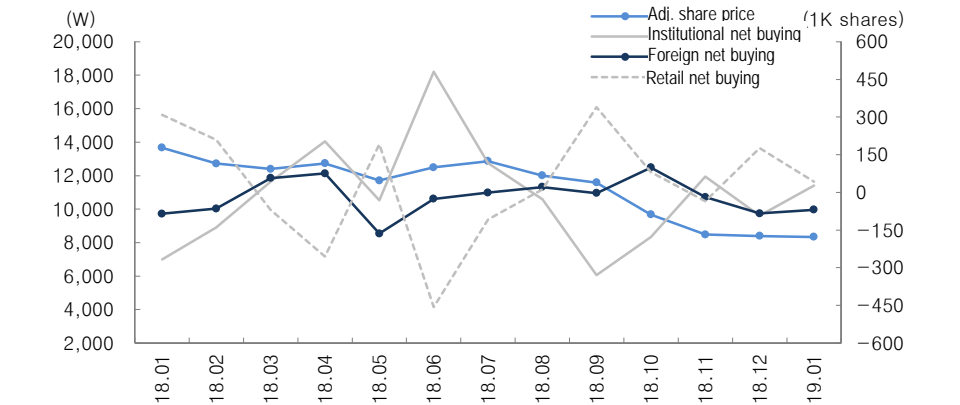
Source: Huvtz, Daishin Securities Research Center

Fig 4. P/B band



Source: Huvtz, Daishin Securities Research Center

Fig 5. Monthly stock buying



Source: Huvtz, Daishin Securities Research Center

Tab 1. Global peers

| Company | | Topcon | Nidek | Carl Zeiss Meditec |
|------------------------|---------|--------|--------|--------------------|
| Country | | Japan | Japan | Germany |
| Share price (19.02.01) | (USD) | 13 | 120 | 90 |
| Market cap. | (USDmn) | 1,426 | 35,760 | 8,066 |
| Revenue (\$mn) | 2017A | 1,314 | 13,431 | 1,315 |
| | 2018F | 1,394 | 13,863 | 1,525 |
| | 2019F | 1,495 | 14,949 | 1,616 |
| OP (\$mn) | 2017A | 109 | 1,513 | 200 |
| | 2018F | 139 | 1,507 | 235 |
| | 2019F | 164 | 1,854 | 258 |
| OP margin (%) | 2017A | 8.3 | 11.3 | 15.2 |
| | 2018F | 10.0 | 10.9 | 15.4 |
| | 2019F | 11.0 | 12.4 | 15.9 |
| NP (\$mn) | 2017A | 54 | 1,186 | 149 |
| | 2018F | 66 | 1,182 | 151 |
| | 2019F | 85 | 1,462 | 178 |
| NP margin (%) | 2017A | 4.1 | 8.8 | 11.3 |
| | 2018F | 4.7 | 8.5 | 9.9 |
| | 2019F | 5.7 | 9.8 | 11.0 |
| PER (x) | 2017A | 36.5 | 36.9 | 28.1 |
| | 2018F | 21.1 | 29.9 | 51.2 |
| | 2019F | 16.4 | 24.1 | 44.4 |
| PBR (x) | 2017A | 3.4 | 5.2 | 3.3 |
| | 2018F | 2.2 | 3.7 | 5.0 |
| | 2019F | 2.1 | 3.3 | 5.0 |
| EV/EBITDA (x) | 2017A | 13.0 | 21.9 | 27.6 |
| | 2018F | 8.2 | 16.7 | 27.6 |
| | 2019F | 7.3 | 13.7 | 27.6 |
| ROE (%) | 2017A | 9.7 | 14.8 | 13.4 |
| | 2018F | 10.5 | 13.3 | 10.1 |
| | 2019F | 12.0 | 14.6 | 11.9 |
| EPS (\$) | 2017A | 0.6 | 4.0 | 1.7 |
| | 2018F | 0.6 | 4.0 | 1.0 |
| | 2019F | 0.8 | 5.0 | 2.0 |
| FY.M | | 3 | 3 | 9 |

Source: Bloomberg, Daishin Securities Research Center

Company profile

Overview

- Established in 1999 and listed on the KOSDAQ in 2003
- Leads the optician equipment market with a 50% share
- Seeks future growth via new products for eye clinics
- Revenue mix (by region): Korea 18%, Europe/CIS 40%, South America 10%, Asia 10%, China 7%, North America 6%, Others 9%
- 3Q18 finances (₩'00mn): Assets 1,507, liabilities 625, equities 882 (Outstanding shares: 11,882,871 / treasury shares: 289,170)

Share price catalysts

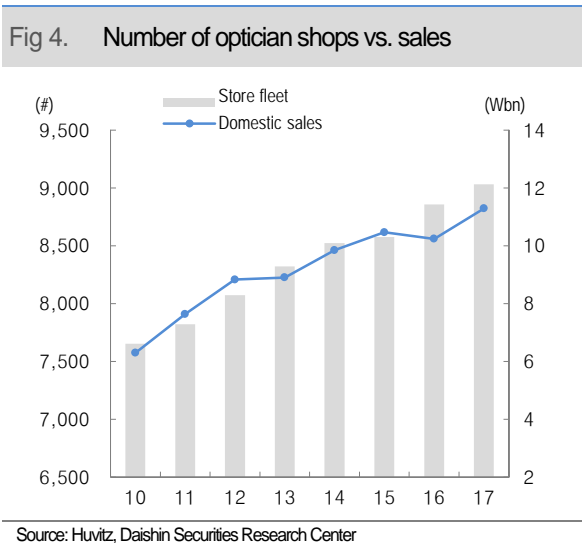
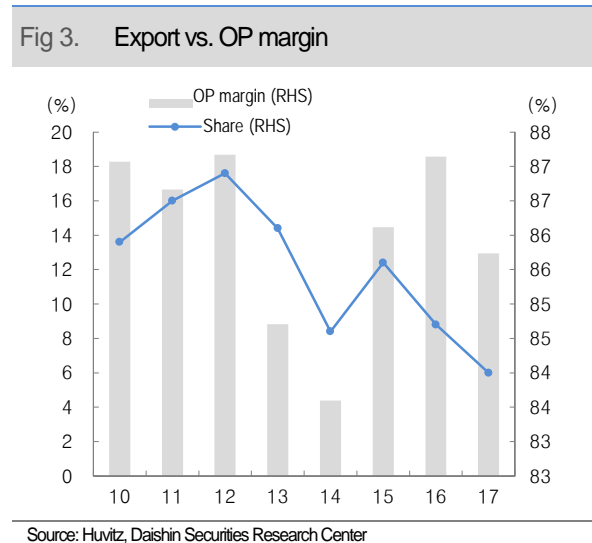
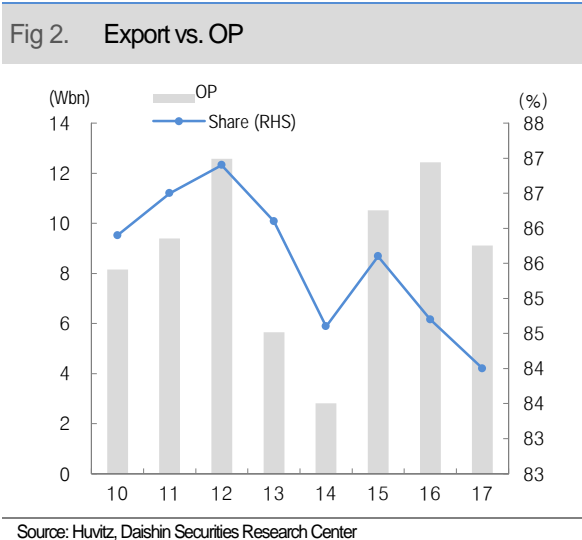
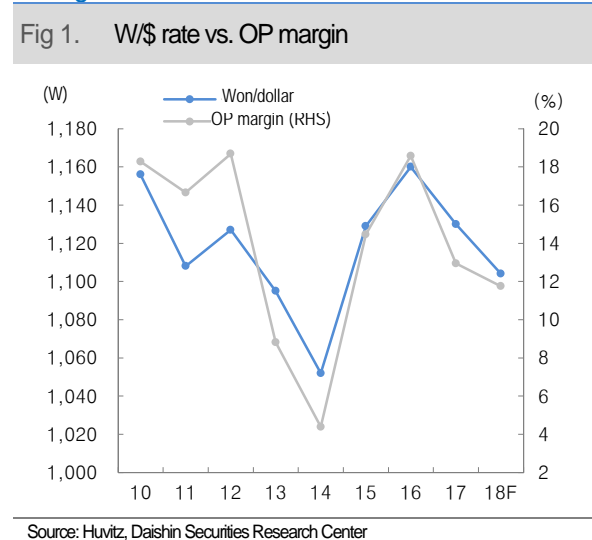
- Won/dollar exchange rates
 - Won/euro exchange rates
 - Export growth
 - New products
 - Number of glasses wearers
- Source: Huvitz, Daishin Securities Research Center

2018E sales mix

| Sales Mix Category | Percentage |
|----------------------------|------------|
| Devices for optical stores | 67% |
| Devices for eye clinics | 17% |
| Subsidiaries | 14% |
| Others | 1% |
| Microscopes | 1% |

Source: Huvitz, Daishin Securities Research Center

Earnings drivers



Financial statements

| Income statement | | | | | (Wbn) |
|----------------------------------|-------|-------|-------|-------|-------|
| | 2016A | 2017A | 2018F | 2019F | 2020F |
| Revenue | 67 | 70 | 77 | 85 | 91 |
| Cost of goods sold | 38 | 42 | 46 | 51 | 54 |
| Gross profit | 29 | 28 | 31 | 34 | 37 |
| S&A expenses | 17 | 19 | 22 | 24 | 25 |
| OP | 12 | 9 | 9 | 10 | 13 |
| OP margin | 18.6 | 12.9 | 11.7 | 12.1 | 13.8 |
| EBITDA | 17 | 14 | 14 | 15 | 17 |
| Non-OP | 1 | -6 | -2 | -1 | 0 |
| Income from affiliates | 0 | 0 | 0 | 0 | 0 |
| Financial revenue | 1 | 0 | 0 | 0 | 0 |
| FX related gains | 2 | 1 | 1 | 1 | 1 |
| Financial expense | 0 | -1 | -1 | -1 | -1 |
| FX related losses | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | -5 | -1 | 0 | 0 |
| Income before taxes | 13 | 4 | 7 | 9 | 12 |
| Income tax expense | -1 | 1 | 0 | -1 | -2 |
| Income from cont. op. | 12 | 5 | 7 | 8 | 10 |
| Income from discount. op. | -1 | -1 | 0 | 0 | 0 |
| NP | 11 | 3 | 7 | 8 | 10 |
| NP margin | 17.0 | 4.9 | 9.5 | 9.9 | 11.4 |
| NP for non-contr. interest | 0 | 0 | 0 | 0 | 1 |
| NP for contr. interest | 11 | 3 | 7 | 8 | 10 |
| Valuation of AFS fin. assets | 0 | 0 | 0 | 0 | 0 |
| Other compreh. income | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income | 10 | 3 | 7 | 8 | 10 |
| Comp. income for non-contr. int. | 0 | 0 | 0 | 0 | 1 |
| Comp. income for contr. int. | 10 | 2 | 7 | 8 | 10 |

| Valuation metrics | | | | | (W, x, %) |
|-------------------|-------|-------|-------|-------|-----------|
| | 2016A | 2017A | 2018F | 2019F | 2020F |
| EPS | 956 | 268 | 607 | 680 | 842 |
| PER | 14.3 | 49.8 | 14.1 | 12.6 | 10.1 |
| BPS | 6,502 | 6,622 | 7,126 | 7,643 | 8,319 |
| PBR | 2.1 | 2.0 | 1.2 | 1.1 | 1.0 |
| EBITDAPS | 1,414 | 1,178 | 1,157 | 1,253 | 1,451 |
| EV/EBITDA | 12.1 | 14.3 | 9.7 | 8.7 | 7.1 |
| SPS | 5,638 | 5,925 | 6,496 | 7,132 | 7,658 |
| PSR | 2.4 | 2.3 | 1.2 | 1.2 | 1.1 |
| CFPS | 1,549 | 1,086 | 1,529 | 1,681 | 1,879 |
| DPS | 100 | 150 | 150 | 150 | 150 |

| Financial ratios | | | | | (W, x, %) |
|-------------------------|-------|-------|-------|-------|-----------|
| | 2016A | 2017A | 2018F | 2019F | 2020F |
| Growth potential | | | | | |
| Revenue growth | -3.9 | 5.2 | 9.7 | 9.8 | 7.4 |
| OP growth | 10.4 | -26.7 | -0.4 | 12.7 | 23.1 |
| NP growth | 53.2 | -69.6 | 112.9 | 13.3 | 24.0 |
| Profitability | | | | | |
| ROIC | 10.7 | 9.9 | 8.1 | 8.3 | 9.6 |
| ROA | 9.8 | 6.5 | 6.2 | 6.5 | 7.6 |
| ROE | 15.1 | 4.0 | 8.6 | 9.0 | 10.3 |
| Stability | | | | | |
| Debt ratio | 68.7 | 67.4 | 69.2 | 65.0 | 60.0 |
| Net borrowings ratio | 42.6 | 43.4 | 28.8 | 21.8 | 13.1 |
| Interest coverage ratio | 235.7 | 11.7 | 8.3 | 9.6 | 15.9 |

Source: Huviz, Daishin Securities Research Center

| Balance sheet | | | | | (Wbn) |
|-----------------------------|-------|-------|-------|-------|-------|
| | 2016A | 2017A | 2018F | 2019F | 2020F |
| Current assets | 47 | 42 | 59 | 68 | 78 |
| Cash & cash equiv. | 8 | 4 | 20 | 25 | 32 |
| Trade & other receive. | 16 | 18 | 19 | 20 | 22 |
| Inventories | 16 | 17 | 20 | 22 | 24 |
| Other current assets | 7 | 3 | 0 | 0 | 0 |
| Long-term assets | 93 | 99 | 94 | 92 | 90 |
| Tangible assets | 77 | 70 | 64 | 61 | 59 |
| Investments in affiliates | 0 | 0 | 0 | 0 | 0 |
| Other long-term assets | 16 | 28 | 30 | 31 | 32 |
| Total assets | 140 | 141 | 153 | 160 | 169 |
| Current liabilities | 27 | 26 | 35 | 35 | 36 |
| Payables & other liab. | 4 | 7 | 6 | 7 | 7 |
| Borrowings | 12 | 15 | 22 | 22 | 22 |
| Current portion of LT debts | 9 | 3 | 5 | 5 | 5 |
| Other current liabilities | 3 | 1 | 1 | 1 | 1 |
| Long-term liabilities | 30 | 30 | 28 | 28 | 28 |
| Borrowings | 23 | 23 | 19 | 19 | 19 |
| Convertible securities | 0 | 0 | 0 | 0 | 0 |
| Other long-term liab. | 7 | 7 | 9 | 9 | 9 |
| Total liabilities | 57 | 57 | 63 | 63 | 63 |
| Controlling interest | 77 | 79 | 85 | 91 | 99 |
| Capital stock | 6 | 6 | 6 | 6 | 6 |
| Capital surplus | 13 | 13 | 13 | 13 | 13 |
| Retained earnings | 62 | 64 | 69 | 75 | 83 |
| Other capital changes | -3 | -4 | -3 | -3 | -3 |
| Non-controlling interest | 5 | 5 | 6 | 6 | 7 |
| Total shareholder's equity | 83 | 84 | 91 | 97 | 106 |
| Net borrowings | 35 | 37 | 26 | 21 | 14 |

| Cash flow statement | | | | | (Wbn) |
|------------------------|-------|-------|-------|-------|-------|
| | 2016A | 2017A | 2018F | 2019F | 2020F |
| Operating cash flows | 12 | 10 | 10 | 13 | 16 |
| NP | 11 | 3 | 7 | 8 | 10 |
| Non-cash items | 7 | 9 | 11 | 12 | 12 |
| Depreciation | 4 | 5 | 5 | 5 | 5 |
| FX gains | -1 | 1 | 1 | 1 | 1 |
| Equity method gain | 0 | 0 | 0 | 0 | 0 |
| Others | 3 | 4 | 5 | 6 | 6 |
| Chg in assets & liab. | -6 | -2 | -7 | -5 | -4 |
| Other cash flows | 0 | -1 | -1 | -2 | -2 |
| Investing cash flow | -34 | -10 | 4 | 0 | 0 |
| Investment assets | 0 | 0 | 0 | 0 | 0 |
| Tangible assets | -31 | -10 | 4 | 0 | 0 |
| Others | -3 | 0 | 0 | 0 | 0 |
| Financing cash flows | 14 | -3 | 4 | -1 | -1 |
| Short-term borrowings | 6 | -2 | 8 | 0 | 0 |
| Bonds payable | 0 | 0 | 0 | 0 | 0 |
| Long-term borrowings | 15 | 3 | -4 | 0 | 0 |
| Rights offering | 0 | 0 | 0 | 0 | 0 |
| Cash dividends | -1 | -1 | -2 | -2 | -2 |
| Others | -6 | -3 | 2 | 0 | 0 |
| Net chg in cash | -8 | -4 | 16 | 5 | 8 |
| Beginning cash balance | 15 | 8 | 4 | 20 | 25 |
| Ending cash balance | 8 | 4 | 20 | 25 | 32 |
| NOPLAT | 11 | 12 | 9 | 9 | 11 |
| FCF | -20 | -3 | 11 | 11 | 12 |

[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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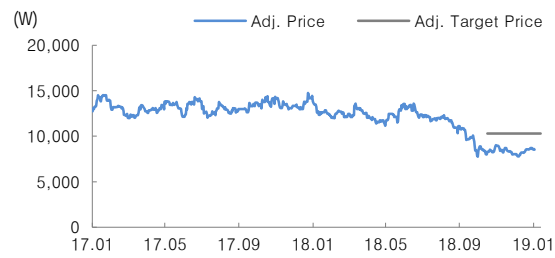
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[Investment rating & Target price history]

Huvitz (065510 KQ)



| | | |
|---------------------|----------|----------|
| Date | 19.02.07 | 18.11.15 |
| Rating | Buy | Buy |
| Target price | 10,300 | 10,300 |
| Diff. (avr. %) | | (18.38) |
| Diff. (max/min., %) | | (12.52) |
| 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.