

Nasmedia (089600 KQ)

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Rating **BUY**
maintain

6M TP (W) **51,000**
maintain

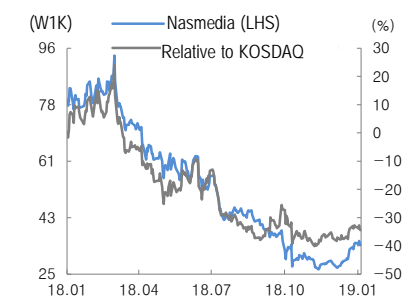
CP (W)
(19.02.01) **34,200**

Media

Industry 4.0 safety rating ■ Sky Blue

KOSDAQ	716.92
Market cap (Wbn)	299
Market cap portion (%)	0.12
Paid-in capital (common; Wbn)	4
52w high/low (W)	93,700 / 26,450
120d avg. trading volume (Wbn)	1.6
Foreign ownership (%)	14.17
Major shareholders	KT+1: 59.76%

(%)	1M	3M	6M	12M
Abs. return	20.4	5.4	-38.8	-59.0
Rel. return	13.5	-3.3	-32.6	-48.1



Excluding special items, 4Q18 results meet expectations

BUY; TP kept steady at W51,000

- Our W51,000 target price for Nasmedia is based on the 12-month forward EPS of W2,590 and a target P/E multiple of 20.

4Q18 review

- The ad agency reported revenue of W28bn (down 13% qoq, down 10% yoy) and OP of W6.6bn (up 31% qoq, down 34% yoy) for the most recent quarter. Excluding W800mn one-off expenses, OP was in line with our expectation of W7.2bn.
- The company's stand-alone revenue came to W18.7bn (up 11% qoq, down 13% yoy) – online W9.4bn (up 11% yoy), mobile platform W3.9bn (down 25% yoy due to a negative base effect), IPTV W1.4bn (down 59% yoy, but up 187% qoq thanks to a deal with IPTV operator U+TV) and digital signage W4.1bn (down 10% yoy). Non-consolidated OP came in at W4.9bn (up 17% qoq, down 37% yoy).
- The Thailand operation started to generate revenue in 4Q18, albeit small.
- Subsidiary PlayD reported fourth-quarter OP of W1.7bn (up 99% qoq, down 26% yoy) on revenue of W9.3bn (up 17% qoq, down 1% yoy). The online ad agency continued to face cost pressure from the large-scale hiring in 3Q18.

2019 outlook

- We project the company to report a 6% increase in revenue to W113.5bn and a 20% rise in OP to W30bn this year. OP margin is forecast at 26%, up 3% yoy. The online ad market is expected to expand 9% yoy in 2019.
- Stand-alone revenue is estimated at W76.3bn (up 6% yoy) with OP of W23.3bn (up 21% yoy). Online revenue is expected to climb 12% yoy to W57.2bn thanks to new title launches at major gaming firms such as Supercell. IPTV revenue is also forecast to rise 41% yoy to W5.3bn as commission fees from IPTV operators bounce back to normal levels. Digital signage revenue is projected to drop 18% yoy to W13.8bn as contracts on advertising spots on subway line 6 expired and due to changes in a revenue structure for ball park (Wiz Park) advertising. The unit's OP margin, however, is forecast to jump 3%p yoy to 30% thanks to W2bn cost savings.
- Play D is poised to report growth in both revenue (up 7% yoy to W37.2bn) and OP (up 20% yoy to W6.7bn) in 2019, without extra costs thanks to the recent addition of a big-spending customer (whose billing tops W100bn) and staff additions in 3Q18.
- Despite the stock's 26% gain this year, valuation still looks attractive at a 12-month forward P/E of 13. Any correction should be seen as a buying opportunity.

(Wbn, %)

	4Q17	3Q18	Previous estimate	Result	4Q18			1Q19		
					YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	31	25	27	28	-9.5	12.6	27	27	-1.1	-4.6
OP	10	5	7	7	-34.3	30.9	7	8	7.0	15.0
NP	7	4	5	5	-32.7	20.7	5	5	2.0	13.2

Operating results and major financial data

(Wbn, W, x, %)

	2016A	2017A	2018F	2019F	2020F
Revenue	70	120	107	113	125
OP	15	34	25	30	34
Pretax profit	16	35	26	31	34
NP (contr. int.)	12	25	19	22	25
EPS	1,413	2,805	2,160	2,545	2,814
PER	28.0	26.6	15.8	13.4	12.2
BPS	11,207	13,659	15,129	17,149	19,364
PBR	3.5	5.5	2.3	2.0	1.8
ROE	14.1	22.6	15.0	15.8	15.4

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

Source: Nasmedia, Daishin Securities Research Center

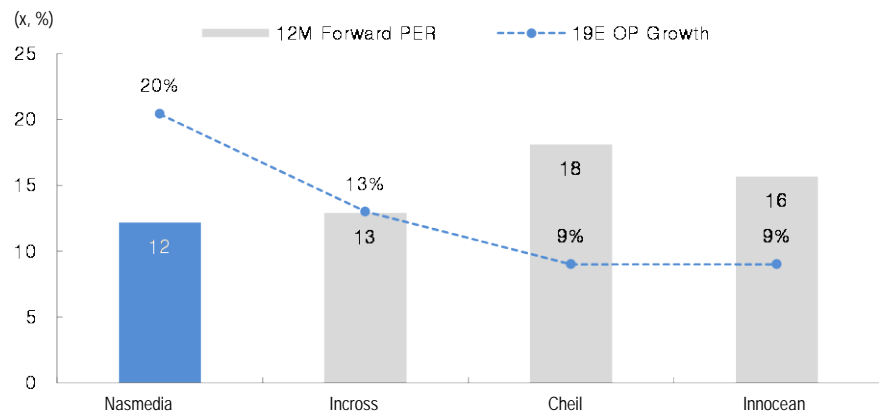
Yearly earnings forecast revision

(Wbn, W, %, %p)

	Previous		Revised		Chg	
	2018F	2019F	2018F	2019F	2018F	2019F
Revenue	106	112	107	113	0.7	1.0
Selling & adm. expense	80	82	82	83	1.7	1.4
OP	26	30	25	30	-2.5	-0.1
OP margin	24.2	26.8	23.4	26.5	-0.8	-0.3
Non-operating profit	1	1	1	1	58.3	37.5
Pretax profit	26	31	26	31	-0.7	0.9
NP (controlling int.)	19	22	19	22	-1.9	-0.9
NP margin	19.4	21.3	19.3	21.3	-0.1	0.0
EPS (controlling int.)	2,202	2,569	2,160	2,545	-1.9	-0.9

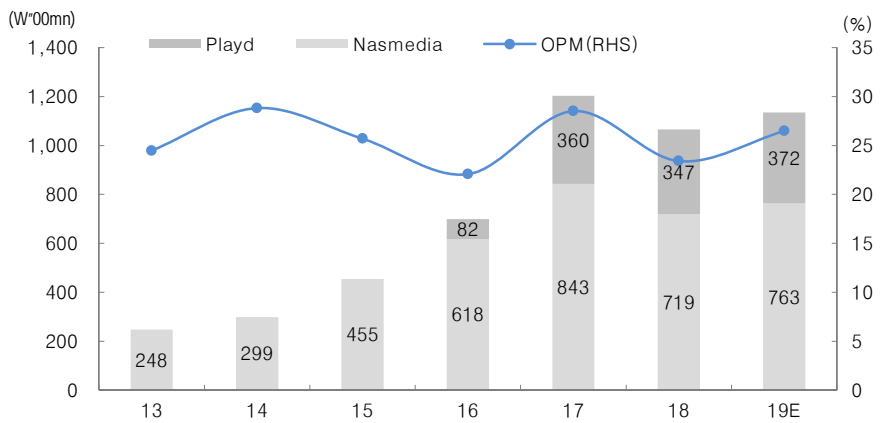
Source: Nasmedia, Daishin Securities Research Center

Fig 1. 2019E OP growth and 12M forward PER



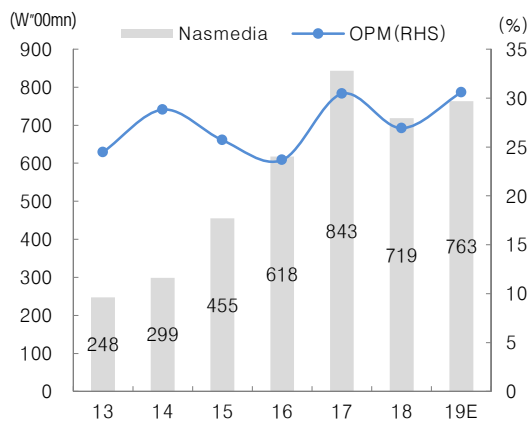
Source: Dataguide, Daishin Securities Research Center estimates

Fig 2. Annual earnings: Nasmedia and PlayD



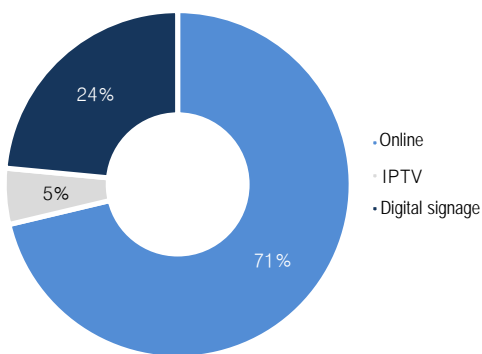
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 3. Earning trend



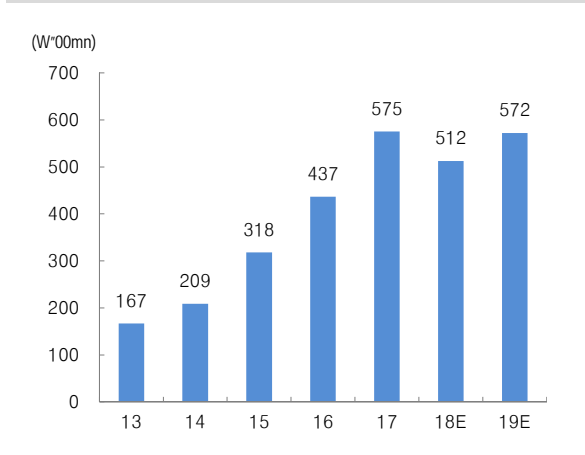
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 4. Revenue mix (18A)



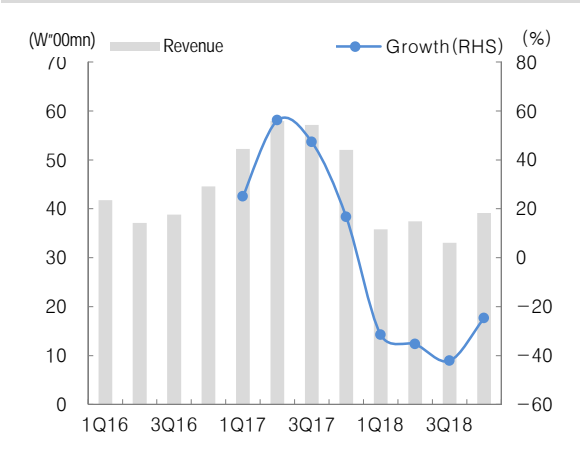
Source: Nasmedia, Daishin Securities Research Center

Fig 5. Online ad revenue



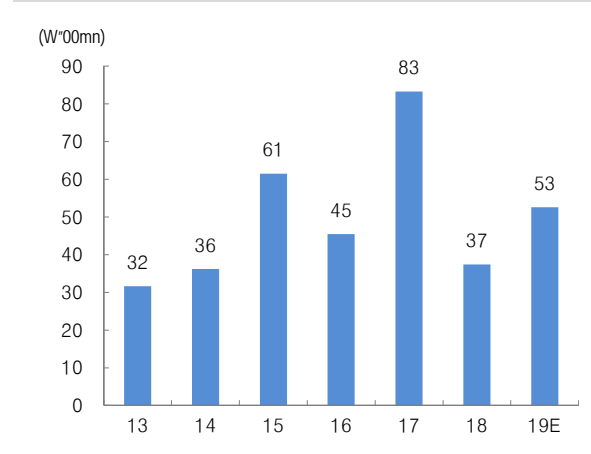
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 6. Revenue from mobile platform



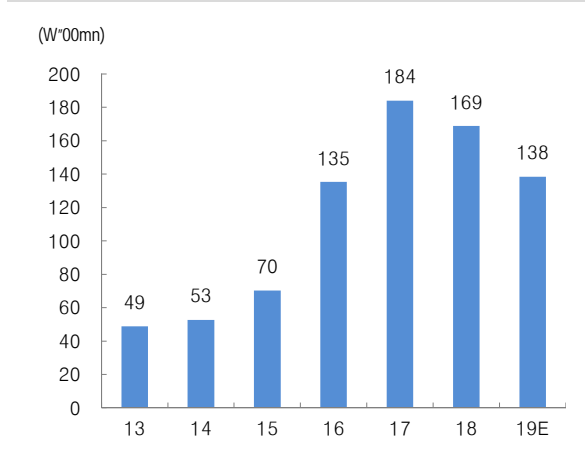
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 7. IPTV ad revenue



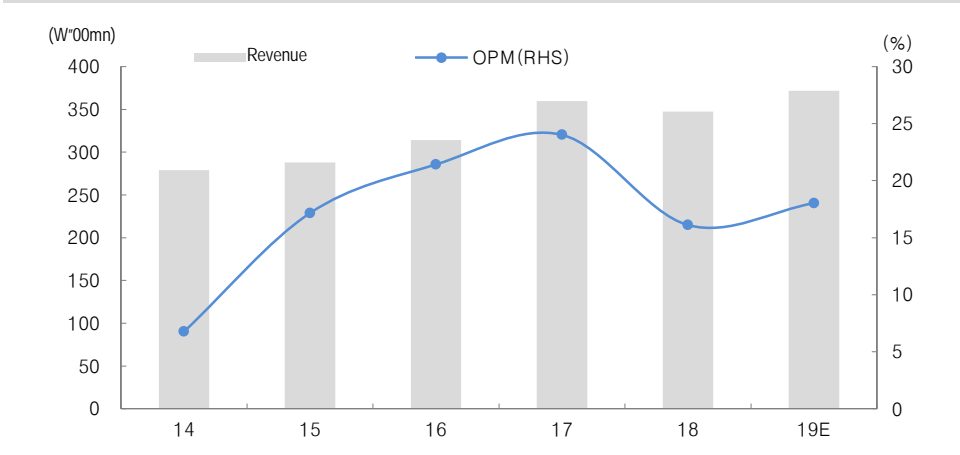
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 8. Digital signage revenue



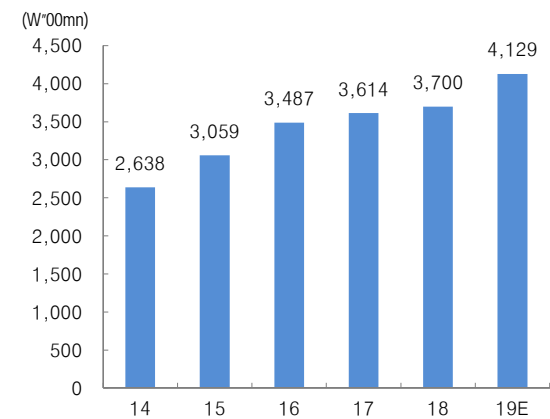
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 9. PlayD earnings



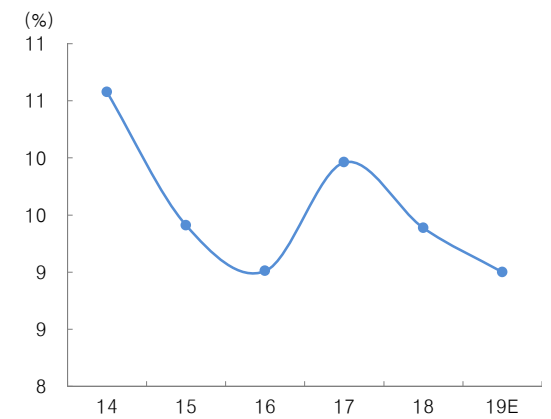
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 10. PlayD's billings



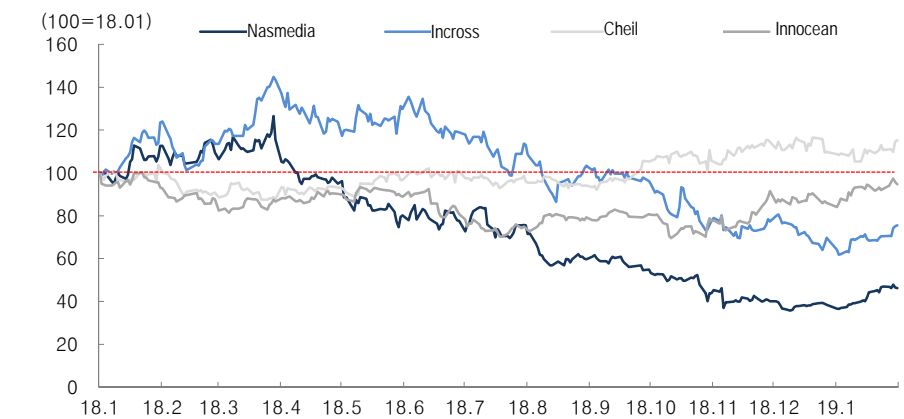
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 11. PlayD's commission fee rate



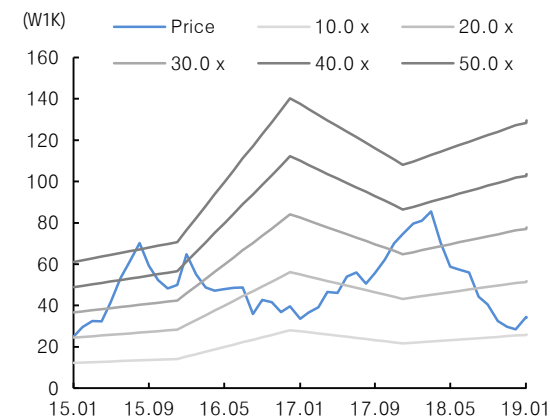
Source: Nasmedia, Daishin Securities Research Center estimates

Fig 12. Share price comparison (100=18.01)



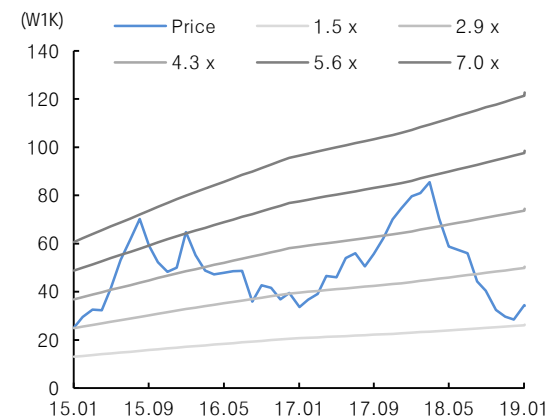
Source: Dataguide, Daishin Securities Research Center

Fig 13. 12MF P/E band



Source: Wisefn, Daishin Securities Research Center

Fig 14. 12MF P/B band



Source: Wisefn, Daishin Securities Research Center

Company profile

Overview

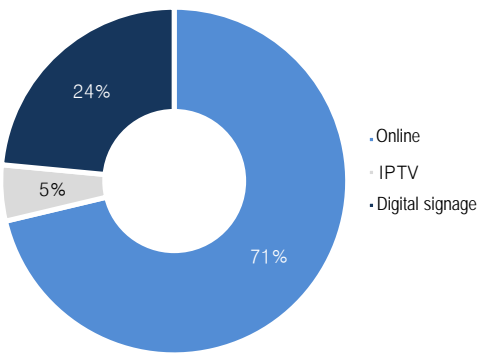
- 2017A performance (W'00mn): Revenue 1,203, OP 343, NP 267
- 17A non-consolidated earnings (W'00mn): Revenue 843, OP 257, NP 202
- Revenue mix (18A): Online 71%, IPTV 5%, digital signage 24%
- Major shareholders (3Q18): KT 42.75%, Jeong Ki-ho 14.84%, others 39.79%

Stock performance

- Share prices are up 26% from the start of the year; valuation still looks attractive with a 12-month forward P/E of 13; any correction should be seen as a buying opportunity

Source: Nasmedia, Daishin Securities Research Center

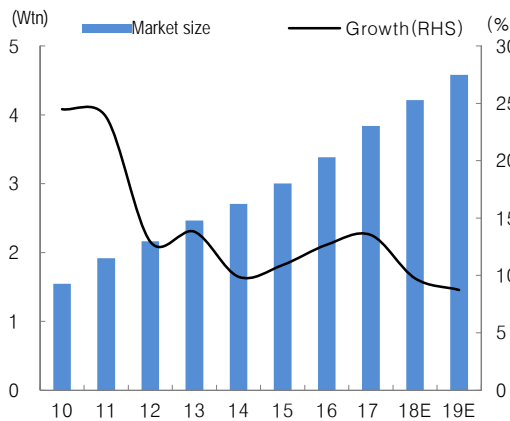
Revenue breakdown (3Q18)



Source: Nasmedia, Daishin Securities Research Center

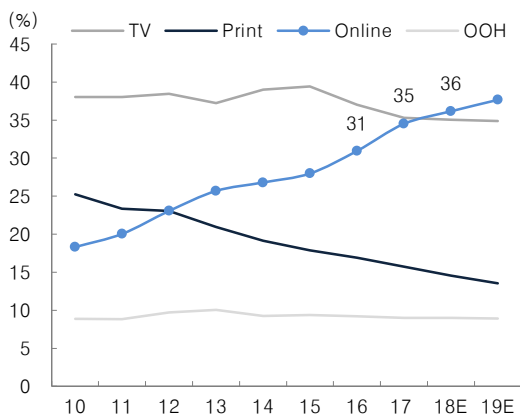
Earnings drivers

Fig 15. Domestic online ad market



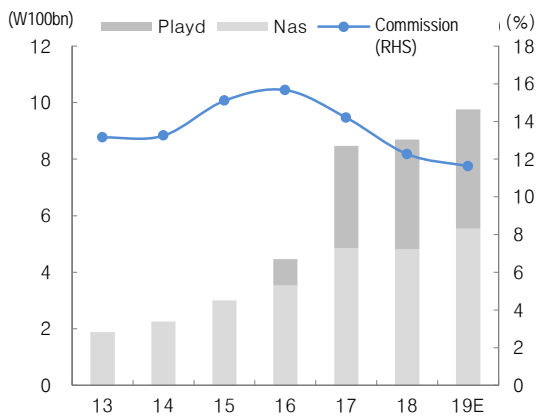
Source: Cheil Worldwide, Daishin Securities Research Center estimates

Fig 16. Domestic ad market breakdown



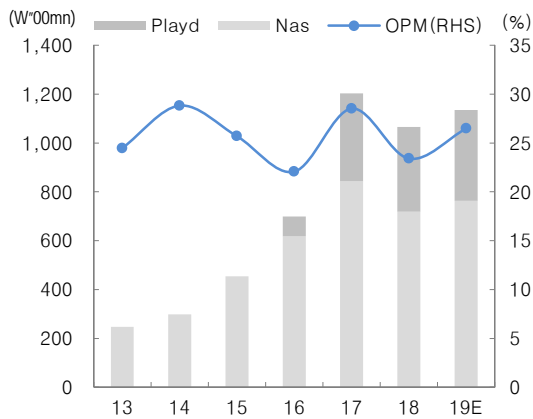
Source: Cheil Worldwide, Daishin Securities Research Center estimates

Fig 17. Billings and commission rates



Source: Nasmedia, Daishin Securities Research Center

Fig 18. Revenue and OP margin



Source: Nasmedia, Daishin Securities Research Center

Financial statements

Income statement (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Revenue	70	120	107	113	125
Cost of goods sold	0	0	0	0	0
Gross profit	70	120	107	113	125
S&A expenses	55	86	82	83	91
OP	15	34	25	30	34
OP margin	22.1	28.5	23.4	26.5	26.9
EBITDA	17	37	28	32	36
Non-OP	0	1	1	1	1
Income from affiliates	0	0	0	0	0
Financial revenue	1	1	1	1	1
FX related gains	0	0	0	0	0
Financial expense	0	0	-1	-1	-1
FX related losses	0	0	0	0	0
Others	0	0	1	1	0
Income before taxes	16	35	26	31	34
Income tax expense	-4	-8	-6	-7	-8
Income from cont. op.	12	27	21	24	27
Income from discount. op.	0	0	0	0	0
NP	12	27	21	24	27
NP margin	17.1	22.2	19.3	21.3	21.4
NP for non-contr. interest	0	2	2	2	2
NP for contr. interest	12	25	19	22	25
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	-2	0	0	0	0
Comprehensive income	10	27	21	24	27
Comp. income for non-contr. int.	0	2	2	2	2
Comp. income for contr. int.	10	25	19	22	25

Valuation metrics (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
EPS	1,413	2,805	2,160	2,545	2,814
PER	28.0	26.6	15.8	13.4	12.2
BPS	11,207	13,659	15,129	17,149	19,364
PBR	3.5	5.5	2.3	2.0	1.8
EBITDAPS	2,014	4,264	3,153	3,710	4,098
EV/EBITDA	19.4	16.7	9.7	7.7	6.3
SPS	8,365	13,738	12,177	12,961	14,270
PSR	4.7	5.4	2.3	2.6	2.4
CFPS	2,327	4,668	3,636	4,173	4,526
DPS	390	690	525	600	700

Financial ratios (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
Growth potential					
Sales growth	53.8	72.0	-11.4	6.4	10.1
OP growth	32.0	122.2	-27.3	20.4	11.9
NP growth	20.7	122.8	-22.8	17.2	10.5
Profitability					
ROIC	-34.0	-62.5	-44.7	-59.6	-63.9
ROA	7.6	11.8	7.9	9.2	9.6
ROE	14.1	22.6	15.0	15.8	15.4
Stability					
Debt ratio	152.7	147.3	123.6	109.5	100.0
Net borrowings ratio	-24.4	-28.0	-28.4	-37.1	-46.2
Interest coverage ratio	171.6	147.4	53.6	64.6	72.2

Source: Nasmedia, Daishin Securities Research Center

Balance sheet (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Current assets	188	241	244	266	294
Cash & cash equiv.	28	17	25	44	68
Trade & other receive.	156	199	194	197	200
Inventories	0	0	0	0	0
Other current assets	5	25	25	25	25
Long-term assets	76	75	72	70	69
Tangible assets	12	12	12	11	11
Investments in affiliates	0	0	0	1	1
Other long-term assets	64	63	60	58	57
Total assets	264	316	316	336	362
Current liabilities	141	172	158	159	164
Payables & other liab.	136	162	146	146	152
Borrowings	0	0	0	0	0
Current portion of LT debts	0	0	3	3	3
Other current liabilities	5	10	10	10	10
Long-term liabilities	19	17	17	17	17
Borrowings	6	3	3	3	3
Convertible securities	0	0	0	0	0
Other long-term liab.	13	14	14	14	14
Total liabilities	160	188	175	176	181
Controlling interest	98	120	132	150	170
Capital stock	5	5	5	5	5
Capital surplus	43	43	43	43	43
Retained earnings	50	72	85	102	122
Other capital changes	0	0	0	0	0
Non-controlling interest	6	8	9	10	12
Total shareholder's equity	104	128	142	160	181
Net borrowings	-25	-36	-40	-59	-84

Cash flow statement (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Operating cash flows	17	15	11	24	30
NP	12	27	21	24	27
Non-cash items	7	14	11	12	13
Depreciation	1	3	3	2	2
FX gains	0	0	0	0	0
Equity method gain	0	0	0	0	0
Others	6	11	9	10	11
Chg in assets & liab.	1	-22	-15	-5	-2
Other cash flows	-3	-5	-5	-7	-8
Investing cash flow	3	-19	0	0	0
Investment assets	-10	0	0	0	0
Tangible assets	0	-1	-1	-1	-1
Others	13	-18	0	0	0
Financing cash flows	-6	-6	-3	-5	-5
Short-term borrowings	0	0	0	0	0
Bonds payable	0	0	0	0	0
Long-term borrowings	-3	-3	0	0	0
Rights offering	0	0	0	0	0
Cash dividends	-3	-3	-6	-5	-5
Others	0	0	3	0	0
Net chg in cash	14	-10	7	19	24
Beginning cash balance	13	28	17	25	44
Ending cash balance	28	17	25	44	68
NOPLAT	12	26	20	23	26
FCF	12	28	22	25	28

[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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[Investment rating & Target price history]

Nasmedia (089600 KQ)



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.