

Vieworks (100120 KQ)

Lee Min-young

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Rating **BUY**
maintain

6M TP (W) **44,000**
maintain

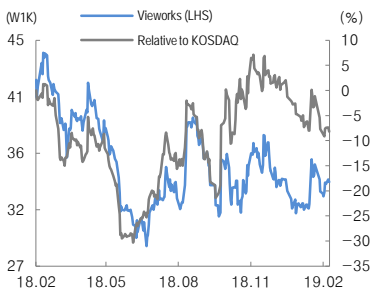
CP (W)
(19.02.19) **33,700**

Small caps

Industry 4.0 safety rating ■ Sky Blue

KOSDAQ	748.05
Market cap (Wbn)	337
Market cap portion (%)	0.13
Paid-in capital (common; Wbn)	5
52w high/low (W)	44,000 / 28,600
120d avg. trading volume (Wbn)	1.4
Foreign ownership (%)	33.13
Major shareholders	Kim Hoo-shik+5: 28.42% Templeton Asset Mgmt., Ltd.+3: 11.00%

(%)	1M	3M	6M	12M
Abs. return	7.0	-7.4	5.1	-22.0
Rel. return	-0.4	-13.1	8.6	-8.7



4Q18 results solid

BUY and 6M TP of W44,000 maintained

- The target price of W44,000 is derived by applying a target P/E of 18.6x (global peers' 2019E average P/E) to the 2019E EPS.
- In 2018, earnings fell due to the drop in global detector prices that began in 2017, but revenue showed solid growth.
- Earnings are likely to stage a meaningful recovery in 2019 as the detector price drop comes to an end and dental detector sales expand, driving up revenue and OP by 14% and 18% yoy, respectively. We maintain BUY on Vieworks.

Both 4Q18 revenue and OP show stable yoy growth

- For 4Q18, Vieworks reported OP of W7.1bn (up 4% yoy; up 2% qoq) on revenue of W37.6bn (up 18% yoy; 11% qoq). Revenue and OP beat our estimates (W35.6bn and W6.3bn), respectively, by 6% and 13%.
- Revenue breakdown by business: FP-DR W19.0bn (up 3% yoy), R/F W1.2bn (down 31% yoy), industrial cameras W12.7bn (up 15% yoy), and others W4.6bn (up 1,715% yoy).
- Industrial cameras, whose sales are growing in China and other emerging markets, and dental detectors, which are classified as others, led the yoy revenue expansion in 4Q18. Dental detectors (used in Cone Beam Computed Tomography) were rolled out in May 2018.
- The company's lower OP margin (down 2%p qoq and yoy to 19%) owes to: 1) the low revenue growth of high-margin FP-DR and 2) increase in R&D costs for new products.

(Wbn, %)										
	4Q17	3Q18	4Q18P				1Q19(F)			
			Previous estimate	Result	YoY	QoQ	Consensus	Daishin estimate	YoY	QoQ
Revenue	32	34	36	38	18.4	11.3	35	36	21.7	-4.8
OP	7	7	6	7	4.1	1.8	7	6	48.1	-14.4
NP	4	6	5	5	31.9	-6.5	0	5	66.9	1.4

	2016	2017	2018P		Chg	Consensus	Growth	
			Previous estimate	Daishin estimate			2017	2018P
Revenue	117	123	129	131	1.5	125	5.2	6.4
OP	30	29	22	23	3.7	22	-6.0	-21.3
NP	27	20	21	21	-0.9	21	-27.2	4.5

Source: Vieworks, FnGuide, Daishin Securities Research Center

Operating results and major financial data

(Wbn, W, x, %)

	2016A	2017A	2018P	2019F	2020F
Revenue	117	123	131	150	172
OP	30	29	23	27	30
Pretax profit	33	23	25	29	33
NP	27	20	21	24	26
NP (controlling int.)	27	20	21	24	26
EPS	2,704	1,975	2,081	2,390	2,679
PER	22.1	20.7	16.2	14.1	12.6
BPS	11,032	12,614	14,503	16,529	18,904
PBR	5.4	3.2	2.3	2.0	1.8
ROE	27.7	16.6	15.1	15.2	14.9

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	2018P	2019F	2018P	2019F
Revenue	129	150	131	150	1.5	-0.1
SG&A expense	42	49	43	48	1.1	-0.5
OP	22	26	23	27	3.7	2.5
OP margin	16.8	17.3	17.2	17.8	0.4	0.5
Non-operating profit	2	1	3	3	50.5	92.8
Pretax profit	23	27	25	29	7.1	6.9
NP (controlling int.)	21	24	21	24	-0.9	-3.0
NP margin	16.0	16.2	15.6	15.7	-0.3	-0.4
EPS (controlling int.)	2,101	2,465	2,081	2,390	-0.9	-3.0
Source: Vieworks, Daishin Securities Research Center						

Tab 1. Vieworks earnings forecast (revised)

(Wbn, %)

	2017				2018				2016	2017	2018P	2019F
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QP				
Revenue	32.1	31.7	27.7	31.7	29.3	30.6	33.8	37.6	117.3	123.5	131.4	150.1
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	19.0	71.0	62.8	65.9	78.7
R/F	2.0	1.6	1.3	1.8	1.5	1.4	1.5	1.2	4.8	6.7	5.7	5.6
Industrial camera	15.1	13.6	12.7	11.0	10.3	12.6	14.5	12.7	38.3	52.5	50.0	52.8
Others	0.2	0.3	0.2	0.3	1.1	3.0	1.1	4.6	0.8	0.9	9.8	13.0
Chg (%YoY)												
Revenue	34.5	34.7	-13.6	-15.7	-8.7	-3.4	21.6	18.4	25.5	5.2	6.4	14.2
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	3.0	12.3	-11.6	4.9	19.4
R/F	32.2	75.2	40.1	24.4	-22.6	-15.0	17.4	-31.2	-29.2	39.6	-15.2	-2.1
Industrial camera	164.5	110.8	7.9	-23.2	-31.8	-7.6	13.4	15.2	92.3	36.9	-4.7	5.4
Others	-6.7	-6.7	51.3	16.7	585.7	983.4	369.8	1,714.9	29.7	10.4	956.7	33.5
OP	7.6	7.5	6.7	6.8	4.1	4.4	7.0	7.1	30.5	28.6	22.6	26.7
OP margin (%)	23.7	23.5	24.2	21.4	13.9	14.4	20.6	18.8	26.0	23.2	17.2	17.8
OP growth (%YoY)	58.4	34.7	-13.9	-44.6	-46.5	-40.6	3.2	4.1	65.8	-6.0	-21.3	18.5
NP (contr. int.)	3.1	7.2	5.3	4.0	3.2	6.4	5.6	5.3	27.0	19.6	20.6	23.6
NP margin (%)	9.8	22.6	19.1	12.6	10.9	20.8	16.7	14.2	23.0	15.9	15.6	15.7
NP growth (%YoY)	-21.4	35.1	11.5	-69.0	2.1	-11.4	6.6	32.9	69.7	-27.2	4.7	14.8

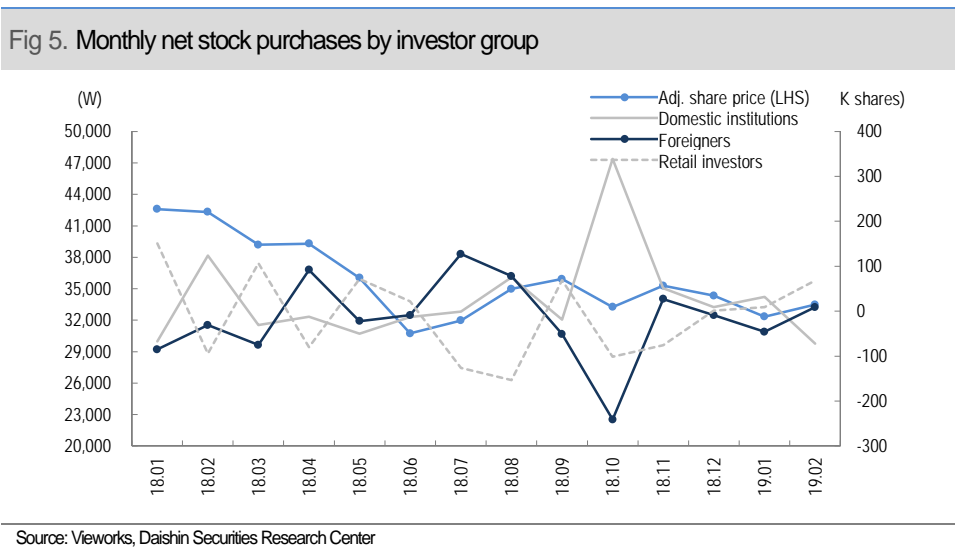
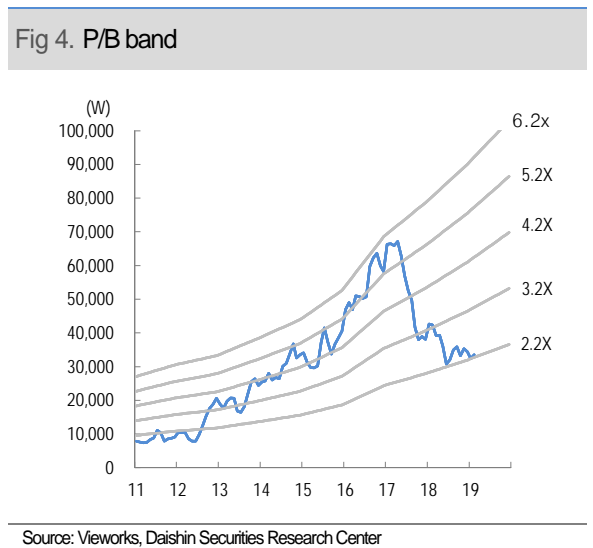
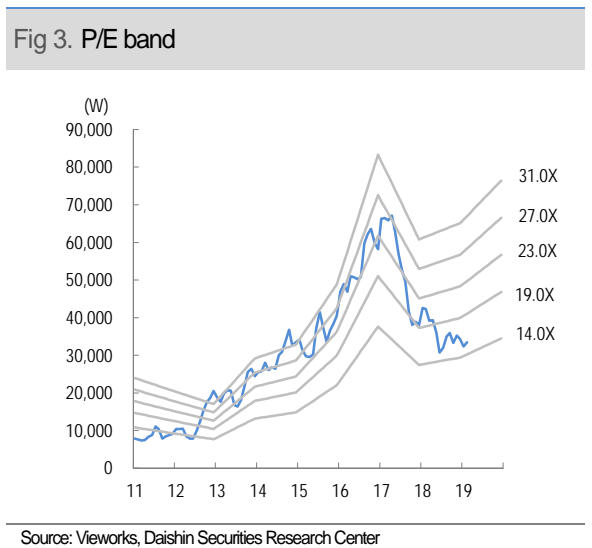
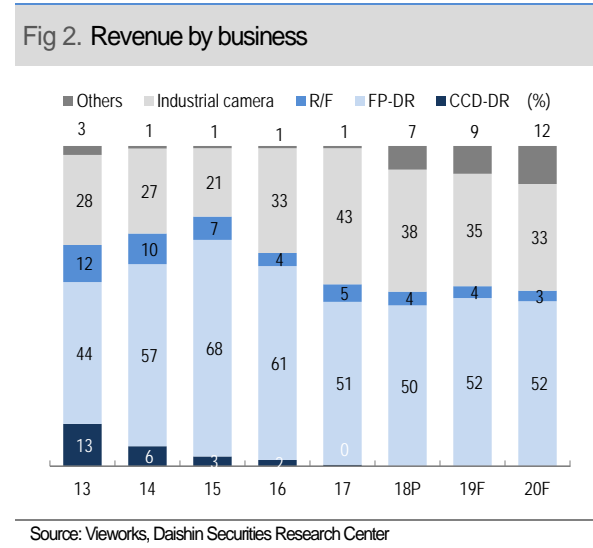
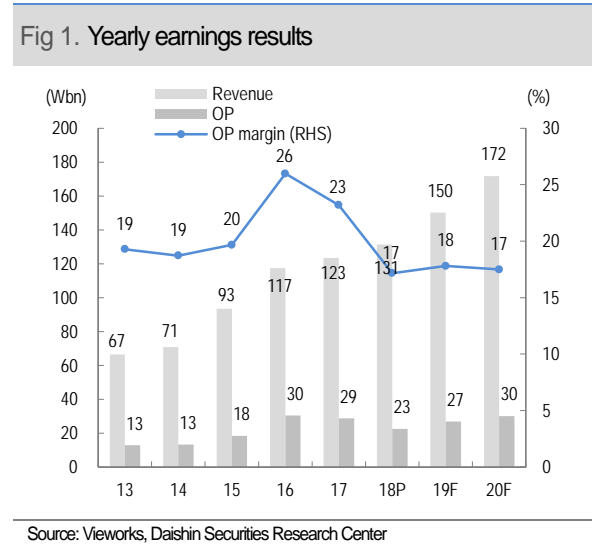
Source: Vieworks, Daishin Securities Research Center

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	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 3. Global peers

Company		Canon	Varex Imaging	Teledyne Technologies	Rayence
Country		Japan	US	US	Korea
Share price (Feb 19)	(\$)	29	31	236	15
Market cap	(\$mn)	38,672	1,198	8,528	249
Revenue (\$mn)	2017A	36,390	698	2,604	94
	2018F	35,800	773	2,902	106
	2019F	35,296	771	3,021	121
OP (\$mn)	2017A	2,956	84	336	15
	2018F	3,107	45	417	19
	2019F	2,930	90	455	24
OP margin (%)	2017A	8.1	12.0	12.9	16.2
	2018F	8.7	5.8	14.4	18.2
	2019F	8.3	11.6	15.0	19.5
NP (\$mn)	2017A	2,158	52	227	13
	2018F	2,290	28	334	15
	2019F	2,128	52	347	19
NP margin (%)	2017A	5.9	7.4	8.7	13.5
	2018F	6.4	3.6	11.5	14.6
	2019F	6.0	6.7	11.5	16.0
P/E (x)	2017A	18.8	21.1	28.2	20.7
	2018F	12.8	25.3	24.2	16.2
	2019F	14.5	22.1	25.3	12.5
PBR (x)	2017A	1.6	3.4	3.3	1.7
	2018F	1.1	2.6	3.4	NA
	2019F	1.2	2.6	NA	1.3
EV/EBITDA (x)	2017A	5.5	13.4	13.0	9.2
	2018F	5.5	13.4	13.0	9.2
	2019F	7.7	12.9	16.2	5.9
ROE (%)	2017A	8.6	14.5	13.0	8.4
	2018F	8.9	6.8	16.0	NA
	2019F	8.1	11.8	NA	11.1
EPS (\$)	2017A	2.3	1.6	6.4	0.8
	2018F	2.2	1.1	8.6	NA
	2019F	2.0	1.4	9.3	1.2
FY.M		December	September	December	December

Source: Bloomberg, Daishin Securities Research Center

Company profile

Overview

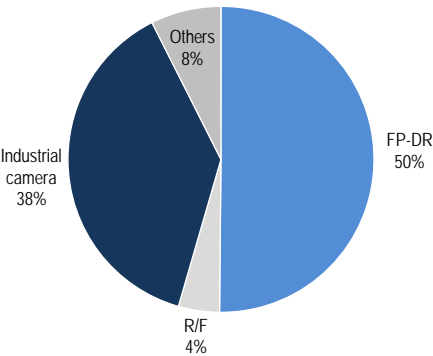
- Established in 1999; Listed on the KOSDAQ market in 2009
- Revenue by business (as of 2018): medical detectors 50%, industrial cameras 38%, R/F 4%, and others (including dental detectors) 8%
- The cash cow is FP-DR, which is a core component of X-ray systems.
- Asses W152.9bn, liabilities W15.2bn, 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

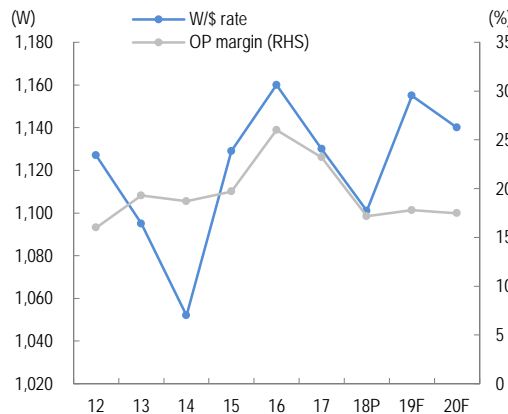
Revenue by business



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

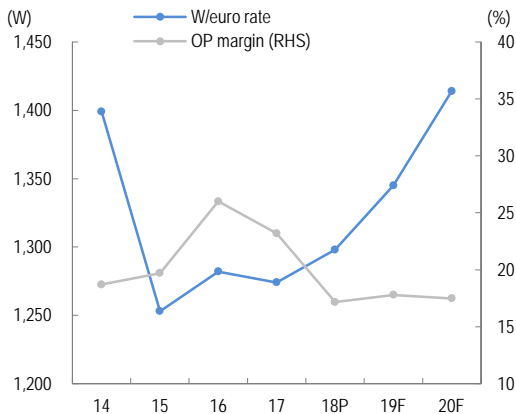
Earnings drivers

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



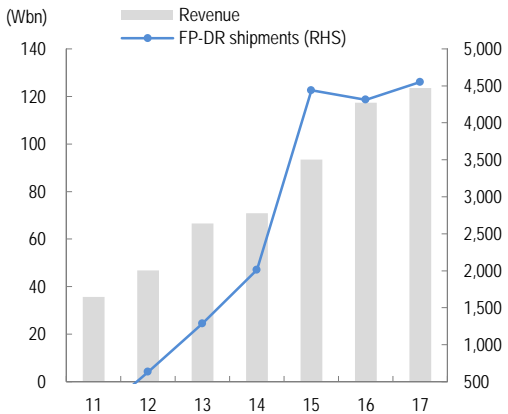
Source: Vieworks, Daishin Securities Research Center

Fig 7. W/euro rate vs. OP margin



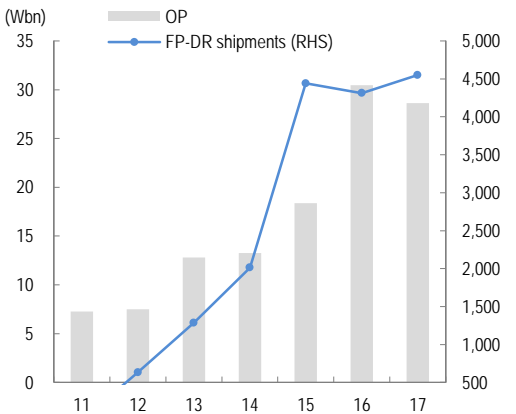
Source: Vieworks, Daishin Securities Research Center

Fig 8. FP-DR drives Vieworks' growth



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	131	150	172
Cost of goods sold	57	61	66	75	86
Gross profit	60	62	66	75	86
SG&A expenses	30	33	43	48	56
OP	30	29	23	27	30
OP margin	26.0	23.2	17.2	17.8	17.5
EBITDA	34	32	28	31	36
Non-OP	3	-5	3	3	3
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	1	1	1
Income before taxes	33	23	25	29	33
Income tax expense	-7	-4	-5	-6	-6
Income from cont. op.	27	20	21	24	26
Income from discount op.	0	0	0	0	0
NP	27	20	21	24	26
NP margin	22.9	15.9	15.6	15.7	15.4
NP for non-cont. interest	0	0	0	0	0
NP for contr. interest	27	20	21	24	26
Valuation of AFS fin. assets	0	0	0	0	0
Other compreh. income	0	0	0	0	0
Comprehensive income	27	20	21	24	26
Comp. income for non-cont. int.	0	0	0	0	0
Comp. income for contr. int.	27	20	21	24	26

Valuation metrics (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
EPS	2,704	1,975	2,081	2,390	2,679
PER	22.1	20.7	16.2	14.1	12.6
BPS	11,032	12,614	14,503	16,529	18,904
PBR	5.4	3.2	2.3	2.0	1.8
EBITDAPS	3,397	3,236	2,818	3,068	3,592
EV/EBITDA	16.4	11.2	10.1	9.3	7.5
SPS	11,728	12,344	13,138	15,004	17,164
PSR	5.1	3.3	2.5	2.2	2.0
CFPS	3,712	3,234	3,163	2,453	3,957
DPS	200	200	300	300	300

Financial ratios (W, x, %)					
	2016A	2017A	2018F	2019F	2020F
Growth potential					
Revenue growth	25.5	5.2	6.4	14.2	14.4
OP growth	65.8	-6.0	-21.3	18.5	12.3
NP growth	70.3	-27.0	4.7	15.0	12.0
Profitability					
ROIC	36.3	31.4	21.0	20.7	20.6
ROA	26.8	21.4	15.1	15.7	15.5
ROE	27.7	16.6	15.1	15.2	14.9
Stability					
Debt ratio	17.7	9.2	10.5	9.6	8.8
Net borrowings ratio	-36.4	-37.2	-35.3	-31.9	-35.7
Interest coverage ratio	3,867.1	2,866.9	24.3	23.7	29.2

Source: Vieworks, Daishin Securities Research Center

Balance sheet (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Current assets	92	99	114	123	148
Cash & cash equiv.	35	37	43	45	59
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	181	206
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	165	189
Capital stock	5	5	5	5	5
Capital surplus	10	10	10	10	10
Retained earnings	96	114	133	153	177
Other capital changes	-1	-3	-3	-3	-3
Non-controlling interest	0	0	0	0	0
Total shareholder's equity	110	126	145	165	189
Net borrowings	-40	-47	-51	-53	-67

Cash flow statement (Wbn)					
	2016A	2017A	2018F	2019F	2020F
Operating cash flows	20	19	10	6	19
NP	27	20	21	24	26
Non-cash items	10	13	11	1	13
Depreciation	4	4	6	4	6
FX gains	-2	3	0	0	0
Equity method gain	0	0	0	0	0
Others	8	6	5	-3	7
Chg in assets & liab.	-13	-6	-19	-15	-16
Other cash flows	-4	-7	-3	-4	-4
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	6	2	15
Beginning cash balance	25	35	37	43	45
Ending cash balance	35	37	43	45	59
NOPLAT	25	24	18	22	24
FCF	24	23	11	20	24

[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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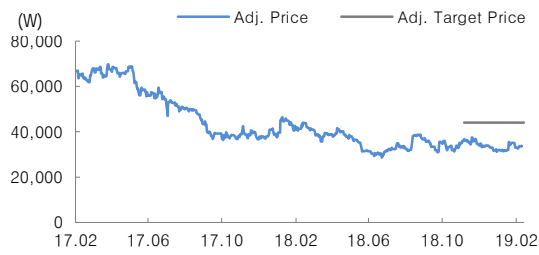
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[Investment rating & Target price history]

Vieworks (100120 KQ)



Date	19.02.20	19.02.07	18.11.15
Rating	BUY	BUY	BUY
Target price	44,000	44,000	44,000
Diff. (avr. %)		(23.24)	(23.06)
Diff. (max/min, %)		(14.89)	(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 (Feb 17, 2019)

	BUY	MARKETPERFORM	UNDERPERFORM
Ratio	85.5%	13.4%	1.2%

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.