

Internet Solutions

Results Comment

February 28, 2019

(Maintain) **Buy**

Target Price (12M, W) **▲ 156,000**

Share Price (02/27/19, W) **127,000**

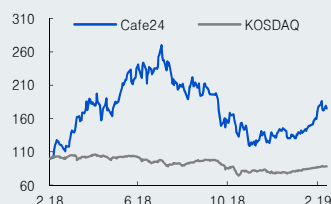
Expected Return **23%**

OP (18P, Wbn) 16
Consensus OP (18F, Wbn) 18

EPS Growth (18P, %) -
Market EPS Growth (18F, %) 4.7
P/E (18P, x) -
Market P/E (18F, x) 9.3
KOSDAQ 752.16

Market Cap (Wbn) 1,198
Shares Outstanding (mn) 9
Free Float (%) 66.5
Foreign Ownership (%) 36.4
Beta (12M) 1.08
52-Week Low 83,800
52-Week High 204,000

(%)	1M	6M	12M
Absolute	19.8	-24.1	38.2
Relative	13.3	-19.2	60.6



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Cafe24

(042000 KQ)

Overseas expansion to gather steam in 2019

4Q18 review: GMV grows 20.5% YoY, in line with expectations

In 4Q18, the gross merchandise volume (GMV) of shopping malls using Cafe24's solutions grew 20.5% YoY to W2.3tr, in line with our expectation. Cafe24's 4Q18 revenue and operating profit came in at W49.9bn (+11.2% YoY) and W5.2bn (+53.9% YoY), slightly below our projections.

While product revenue was weaker than expected, declining 43.4% YoY, we believe the results overall were satisfactory. Growth was driven by additional service revenue and direct overseas sales, which increased 42% and 42.1% YoY, respectively, fueled by the Pimz acquisition and stronger cross-border sales, respectively.

2019 keyword: Overseas expansion

In October 2018, Cafe24 officially launched its e-commerce platform, which provides a one-stop shop for e-commerce-related services (including solutions, payment, delivery, and links to open markets), in Japan. In 2019, the company plans to expand beyond Japan to the US and Southeast Asia.

Cafe24 plans to carry out aggressive marketing this year to attract Japanese shopping mall operators. In particular, the company is focusing on bolstering collaboration with its partners in delivery, ads, and open markets, and is also looking for logistics partnerships to gain new customers and boost its cross-border business.

The acquisition of Pimz, a total shopping mall solutions provider, in October 2018 should help Cafe24 enhance its inventory management solutions. In January 2019, the company purchased a stake in luxury trading website Feelway to broaden its e-commerce coverage and strengthen its platform.

We forecast 2019 GMV to expand 17.4% YoY to W9.3tr. We estimate 2019 revenue and operating profit to grow to W205bn (+24.2% YoY) and W31bn (+101.2% YoY), respectively. The consolidation of Pimz in 4Q18 and Feelway in 1Q19 should contribute to margin improvements this year.

Raising 2019 earnings estimates and TP

We adjusted up our 2019-20 operating profit forecasts by 34.8% and 24.2%, respectively, as we reflected the consolidation of Pimz and Feelway, which both have healthy profit structures.

We raise our target price on Cafe24 to W156,000 (from W120,000), applying a P/S of 6.8x, equivalent to the weighted average 2019F ratio (based on Bloomberg consensus figures) of Amazon (AMZN US/CP: US\$1,641.09) and Shopify (SHOP US/CP: US\$189.20), which have comparable business models. We note that Cafe24's stock tends to move in line with peer Shopify and foreign buying.

FY (Dec.)	12/15	12/16	12/17	12/18P	12/19F	12/20F
Revenue (Wbn)	-	-	143	165	205	240
OP (Wbn)	-	-	7	16	31	41
OP Margin (%)	-	-	4.9	9.7	15.1	17.1
NP (Wbn)	-	-	5	-28	26	35
EPS (W)	-	-	641	-3,102	2,773	3,688
ROE (%)	-	-	37.1	11,292.4	-2,291.9	118.6
P/E (x)	-	-	-	-	45.8	34.4
P/B (x)	-	-	-	-	100.3	25.6
Dividend Yield (%)	-	-	-	0.0	0.0	0.0

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
Source: Company data, Mirae Asset Daewoo Research estimates

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Table 1. Earnings forecast revisions

(Wbn, %)

	Previous		Revised		% chg.		Notes
	2019F	2020F	2019F	2020F	2019F	2020F	
Revenue	196	229	205	240	4.6	4.8	Reflected 4Q18 earnings
Operating profit	23	33	31	41	34.8	24.2	
Net profit	19	26	26	35	36.8	34.6	
OP margin	11.7	14.4	15.1	17.1	-	-	
Net margin	9.7	11.4	12.7	14.6	-	-	

Note: Net profit is attributable to controlling and non-controlling interests.

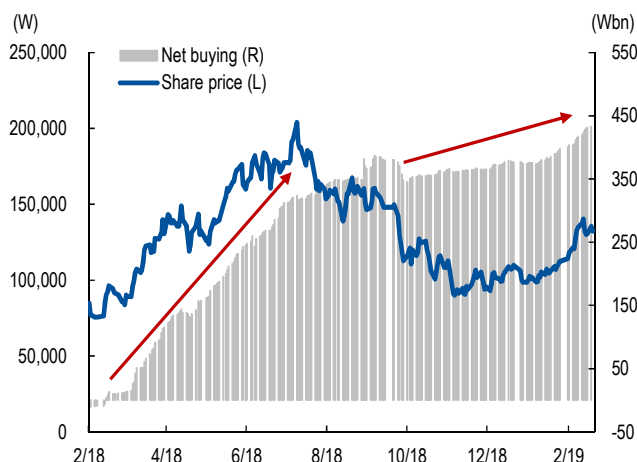
Source: Company data, Mirae Asset Daewoo Research estimates

Table 2. Quarterly and annual earnings

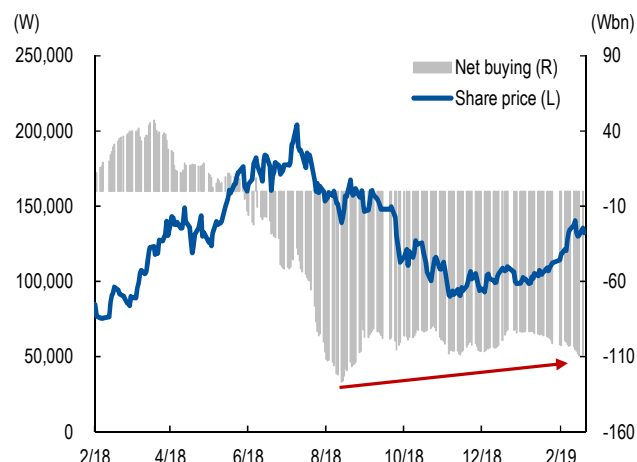
(Wbn, %)

	1Q18	2Q18	3Q18	4Q18P	1Q19F	2Q19F	3Q19F	4Q19F	2017	2018P	2019F	2020F
GMV	18,300	18,840	19,271	23,031	20,783	23,643	21,991	30,222	67,200	79,442	93,248	108,515
Revenue	37	40	38	50	45	50	48	63	143	165	205	240
Shopping mall solutions	23	26	24	35	29	33	31	46	90	107	139	167
Payments	10	10	10	13	12	13	13	16	35	43	54	63
Additional services	9	9	9	12	12	13	12	19	30	39	56	67
Products	2	3	2	5	2	2	2	6	16	12	12	12
Direct overseas sales	3	3	3	4	4	5	4	6	9	13	18	25
Ad solutions	7	8	7	8	8	9	9	10	25	30	36	40
Hosting solutions	7	7	7	7	8	8	8	8	27	29	30	33
Operating profit	3	4	3	5	6	7	8	11	7	16	31	42
OP margin	8.5	10.2	8.3	10.3	12.8	14.5	15.8	17.3	5.3	9.4	15.3	17.5
Net profit	3	-51	14	5	5	6	7	9	5	-28	26	35
Net margin	7.3	-124.8	37.0	10.8	10.2	11.6	15.0	13.9	3.5	-17.1	12.8	14.4
YoY												
GMV	22.8	14.2	15.4	20.6	13.6	25.5	14.1	31.2	28.3	18.2	17.4	16.4
Revenue	15.8	22.7	16.0	11.2	22.2	23.1	24.4	26.4	20.7	16.0	24.2	16.6
Shopping mall solutions	18.2	28.4	16.6	12.0	28.0	29.5	31.8	32.2	60.4	18.0	30.6	19.9
Payments	21.4	22.3	18.0	29.2	23.6	26.4	25.0	25.7	26.8	23.0	25.2	17.2
Additional services	28.2	31.7	19.1	42.0	35.5	43.8	44.7	49.2	104.4	30.9	43.9	19.4
Products	-28.6	6.6	-4.7	-43.5	2.9	-20.3	8.3	4.0	108.7	-28.5	-0.8	3.2
Direct overseas sales	20.7	68.9	25.4	42.1	33.7	37.9	35.8	36.9	45.9	38.7	36.3	40.5
Ad solutions	20.9	17.2	22.1	14.0	20.1	19.0	21.6	22.3	26.6	18.0	20.8	11.6
Hosting solutions	4.8	9.0	8.0	3.6	5.8	4.7	5.2	5.0	5.3	8.5	5.2	7.7
Operating profit	136.5	231.2	114.6	53.9	83.6	74.4	137.5	111.9	TTB	108.5	101.2	33.5
Net profit	154.5	TTR	1009.8	190.7	72.1	TTB	-49.6	62.3	TTB	TTR	TTB	31.9

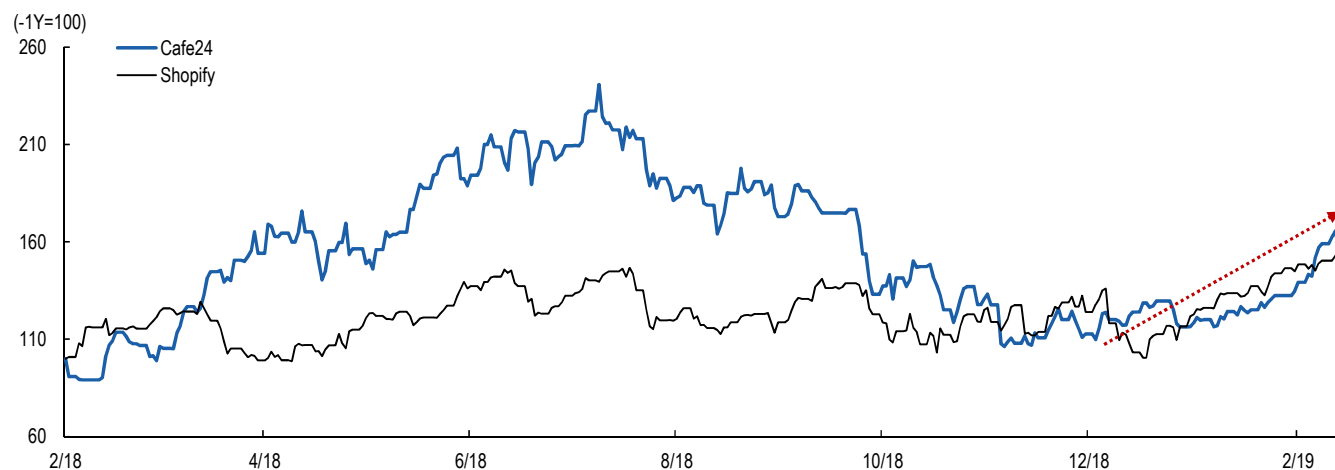
Source: Company data, Mirae Asset Daewoo Research estimates

Figure 1. Cafe24: Foreign net buying (cumulative)

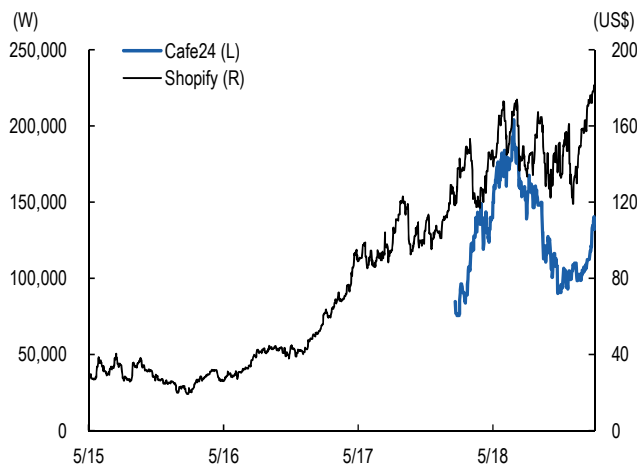
Source: Bloomberg, Mirae Asset Daewoo Research

Figure 2. Cafe24: Domestic institutional net buying (cumulative)

Source: Bloomberg, Mirae Asset Daewoo Research

Figure 3. Relative share performance: Cafe24 vs. Shopify

Source: Bloomberg, Mirae Asset Daewoo Research

Figure 4. Share performance: Cafe24 vs. Shopify

Source: Bloomberg, Mirae Asset Daewoo Research

Figure 5. Relative share price from IPO: Cafe24 vs. Shopify

Source: Bloomberg, Mirae Asset Daewoo Research

Figure 6. P/S trends: Cafe24 vs. Shopify



Source: Bloomberg, Mirae Asset Daewoo Research

Table 3. Global peer valuation table

(Wbn, x, %)

Company	Market cap	Revenue		OP		NP		EV/EBITDA		P/E		P/B		ROE	
		19F	20F	19F	20F	19F	20F	19F	20F	19F	20F	19F	20F	19F	20F
NAVER (Korea)	21,014	5,537	6,441	965	946	696	657	16.9	16.1	29.7	30.8	3.7	3.4	13.8	11.9
Kakao	8,380	2,391	2,776	98	176	76	140	32.5	23.8	100.5	55.9	1.7	1.7	1.8	3.0
Cafe24	1,249	-	167	-	17	-	-24	-	51.9	-	-	-	16.0	-	-42.3
NHN Entertainment	1,422	1,258	1,480	77	99	120	78	10.6	8.7	12.9	18.5	0.8	0.8	7.9	4.9
Interpark	178	534	562	7	15	1	9	8.1	5.5	587.7	19.8	1.1	1.0	0.2	5.3
Alphabet (US)	878,845	122,612	148,297	30,559	41,062	42,379	44,053	13.4	11.4	20.8	20.7	4.5	3.7	17.2	16.5
Amazon	905,971	259,856	309,901	13,758	19,901	15,955	20,613	24.6	19.4	56.9	45.0	18.1	12.2	27.3	25.7
Facebook	526,613	61,807	77,644	27,317	28,452	27,642	28,895	13.0	11.7	19.3	19.1	5.6	4.6	25.7	22.7
EBay	37,308	12,012	12,209	3,273	3,417	2,559	2,549	9.4	9.0	15.7	13.6	5.1	7.5	33.1	52.2
Snap	13,475	1,308	1,726	-820	-523	-739	-518	-	-	-	-	5.5	6.3	-39.0	-35.8
Twitter	26,643	3,355	3,902	832	954	686	725	17.5	15.8	39.1	36.0	3.7	3.1	10.0	11.3
Shopify	21,314	1,188	1,662	10	19	38	56	451.3	294.3	551.3	391.8	10.3	9.1	1.3	1.6
MercadoLibre (Argentina)	18,330	1,456	1,609	153	-87	120	-42	81.8	-	149.2	-	36.8	56.1	25.5	-12.9
Yahoo Japan (Japan)	16,562	8,933	9,706	1,900	1,519	1,313	928	4.3	5.0	13.7	18.1	1.8	1.9	13.4	9.6
Rakuten	11,712	11,100	12,521	1,603	993	1,097	575	2.4	3.1	10.2	19.4	1.4	1.3	13.6	7.8
LINE	10,087	2,203	2,508	57	-36	-60	-122	60.2	85.2	-	-	5.1	5.3	-2.7	-5.4
Tencent (China)	467,635	40,418	52,191	14,217	16,870	10,976	12,815	31.5	24.3	43.0	35.0	12.0	8.3	31.2	26.7
Alibaba	493,843	42,186	62,229	11,976	9,748	14,293	14,169	27.2	24.0	34.3	32.5	7.9	6.1	19.5	17.3
Baidu	68,138	14,633	16,794	2,622	3,346	3,551	3,837	17.5	14.5	19.7	17.9	3.6	2.6	17.3	18.7
JD.com	40,043	61,560	76,426	49	-631	856	390	47.0	61.0	49.5	99.7	5.6	4.3	1.9	0.2
Weibo	16,606	1,244	1,930	441	706	424	687	32.0	21.8	38.4	24.9	12.7	7.4	37.2	36.7
Momo	7,279	1,427	2,238	378	551	379	572	15.0	10.8	18.7	13.3	6.2	5.2	39.0	35.2
Yandex (Russia)	12,353	1,757	2,145	284	467	265	385	26.6	18.8	55.1	33.6	7.9	4.2	17.4	20.7
Average								18.6	20.1	33.0	27.1	4.9	4.6	14.8	12.7

Note: Market cap, revenue, operating profit, and net profit are based on Bloomberg data (exchange rates as of Feb. 27); average P/E and P/B figures exclude LINE, Shopify, and MercadoLibre.

Source: Bloomberg, Mirae Asset Daewoo Research

Cafe24 (042000 KQ/Buy/TP: W156,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Revenue	143	168	196	229
Cost of Sales	19	22	26	30
Gross Profit	124	146	170	199
SG&A Expenses	116	129	146	165
Operating Profit (Adj)	7	17	23	33
Operating Profit	7	17	23	33
Non-Operating Profit	-1	-42	0	0
Net Financial Income	0	-1	-1	0
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	6	-25	23	33
Income Tax	1	4	4	6
Profit from Continuing Operations	5	-29	19	26
Profit from Discontinued Operations	0	0	0	0
Net Profit	5	-29	19	26
Controlling Interests	5	-29	19	26
Non-Controlling Interests	0	0	0	0
Total Comprehensive Profit	5	-29	19	26
Controlling Interests	5	-29	19	26
Non-Controlling Interests	0	0	0	0
EBITDA	13	20	26	35
FCF (Free Cash Flow)	7	-23	24	31
EBITDA Margin (%)	9.1	11.9	13.3	15.3
Operating Profit Margin (%)	4.9	10.1	11.7	14.4
Net Profit Margin (%)	3.5	-17.3	9.7	11.4

Cash Flows (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Cash Flows from Op Activities	12	-23	24	31
Net Profit	5	-29	19	26
Non-Cash Income and Expense	8	8	7	9
Depreciation	4	3	2	2
Amortization	1	0	0	0
Others	3	5	5	7
Chg in Working Capital	-1	2	3	3
Chg in AR & Other Receivables	-4	-2	-3	-3
Chg in Inventories	0	0	0	0
Chg in AP & Other Payables	5	0	0	0
Income Tax Paid	0	-4	-4	-6
Cash Flows from Inv Activities	-3	0	0	0
Chg in PP&E	-5	0	0	0
Chg in Intangible Assets	0	0	0	0
Chg in Financial Assets	0	0	0	0
Others	2	0	0	0
Cash Flows from Fin Activities	17	-2	0	0
Chg in Financial Liabilities	30	-2	0	0
Chg in Equity	16	0	0	0
Dividends Paid	0	0	0	0
Others	-29	0	0	0
Increase (Decrease) in Cash	25	-25	24	31
Beginning Balance	13	38	13	37
Ending Balance	38	13	37	68

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/17	12/18F	12/19F	12/20F
Current Assets	53	31	58	93
Cash and Cash Equivalents	38	13	37	68
AR & Other Receivables	14	17	20	23
Inventories	1	1	1	1
Other Current Assets	0	0	0	1
Non-Current Assets	18	15	12	10
Investments in Associates	0	0	0	0
Property, Plant and Equipment	12	9	7	5
Intangible Assets	1	1	0	0
Total Assets	72	46	71	104
Current Liabilities	30	32	37	43
AP & Other Payables	12	14	17	20
Short-Term Financial Liabilities	3	0	0	0
Other Current Liabilities	15	18	20	23
Non-Current Liabilities	29	29	29	30
Long-Term Financial Liabilities	27	27	27	27
Other Non-Current Liabilities	2	2	2	3
Total Liabilities	58	61	66	73
Controlling Interests	14	-15	4	31
Capital Stock	4	4	4	4
Capital Surplus	12	12	12	12
Retained Earnings	-2	-31	-12	14
Non-Controlling Interests	0	0	0	0
Stockholders' Equity	14	-15	4	31

Forecasts/Valuations (Summarized)

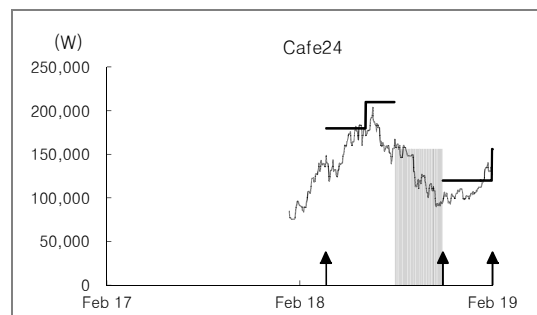
	12/17	12/18F	12/19F	12/20F
P/E (x)	-	-	65.3	47.4
P/CF (x)	-	-	47.6	35.6
P/B (x)	-	-	295.6	40.9
EV/EBITDA (x)	-	51.7	48.2	34.3
EPS (W)	641	-3,178	2,028	2,791
CFPS (W)	1,638	-2,297	2,780	3,715
BPS (W)	1,728	-1,580	448	3,238
DPS (W)	0	0	0	0
Payout ratio (%)	0.0	0.0	0.0	0.0
Dividend Yield (%)	-	0.0	0.0	0.0
Revenue Growth (%)	-	17.5	16.7	16.8
EBITDA Growth (%)	-	53.8	30.0	34.6
Operating Profit Growth (%)	-	142.9	35.3	43.5
EPS Growth (%)	-	-	-	37.6
Accounts Receivable Turnover (x)	10.2	11.0	11.0	11.0
Inventory Turnover (x)	-	-	-	-
Accounts Payable Turnover (x)	9.4	10.2	10.1	10.2
ROA (%)	7.1	-48.5	32.8	30.2
ROE (%)	37.1	4,860.8	-358.2	151.4
ROIC (%)	-	-	-	-
Liability to Equity Ratio (%)	424.0	-408.9	1,574.0	239.6
Current Ratio (%)	181.1	97.8	157.5	215.4
Net Debt to Equity Ratio (%)	-60.7	-95.9	-235.2	-135.0
Interest Coverage Ratio (x)	15.6	18.3	26.5	38.2

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Cafe24(042000)	02/27/2019	Buy	156,000
	11/26/2018	Buy	120,000
	08/27/2018	No Coverage	
	07/03/2018	Buy	210,000
	04/19/2018	Buy	180,000



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (—), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	81.28%	9.63%	9.09%	0.00%
Investment Banking Services	84.61%	3.85%	11.54%	0.00%

* Based on recommendations in the last 12-months (as of December 31, 2018)

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