

2019. 3. 11

Company Update



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AT A GLANCE

NOT RATED

Target price	n/a
Current price	KRW67,600
Market cap	KRW531.64b/USD467.91m
Shares (float)	8,144,232 (41.6%)
52-week high/low	KRW155,214/KRW43,950
Avg daily trading value (60-day)	KRW4.1b/ USD3.6m

ONE-YEAR PERFORMANCE

	1M	6M	12M
meerecompany (%)	23.1	-30.5	-24.2
Vs Kosdaq (%pts)	21.9	-22.6	-12.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	Not Rated	Not Rated	
Target price	n/a	n/a	n/a
2018E EPS	n/a	n/a	n/a
2019E EPS	n/a	n/a	n/a

SAMSUNG vs THE STREET

No of estimates	n/a
Target price	n/a
Recommendation	n/a

BUY***: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL***: 1

Meere Company (049950)

Display cycle and new business harmony

- Meere Company is expected to enjoy sound sales growth for display equipment through 2020, with design-related equipment set to augment its earnings.
- Given customer investment cycles and the extra time needed for new businesses to take off, investors are more focused on the firm's growth in 2020 than in 2019.

WHAT'S THE STORY?

Investor feedback: Meere Company held a domestic non-deal roadshow (NDR) over Mar 7-8. Investors focused on: 1) the equipment order cycle (ie, the timing of Samsung Display's investments in its A5 fab and the size of Chinese companies' investments in displays)—the firm is indeed affected by customer investment cycles, but its sales are relatively stable thanks to its portfolio of design-related equipment; 2) the outlook for its laparoscopic surgical robot and 3D sensor businesses (both units require more time to secure growth, an opinion where investors and the firm see eye to eye); and 3) sales growth in 2020 rather than in 2019 given the slated release of new design equipment, projected A5 and Chinese investments, and the nascent status of its new businesses. The timing of when such catalysts will be finally reflected in the shares needs monitoring.

Display form factor change to be growth driver: Meere Company is a back-end equipment company for displays, with display grinding-related equipment accounting for around 70% of its equipment sales. Its equipment business consists of general equipment needed to manufacture panels (its edge grinders account for more than 60% of the global market) and equipment needed for display design changes (eg, notch cut and hole punch). In particular, in line with the recent smartphone market trend, the sale of equipment needed for display design changes should become key to the firm's growth given robust margins on the products. We expect the player to enjoy additional equipment orders amid further design evolution (eg, removal of the bezel).

Growth potential of surgical robots re-affirmed but more time needed: Meere Company launched a laparoscopic surgical robot in 2018. Procedures using laparoscopic surgical robots are easier to perform and involve a shorter recovery time versus traditional 'open' surgeries. However, rival da Vinci's surgical robots currently dominate the space. The business's growth potential looks strong but it needs more time to generate meaningful sales—it sold one unit in 2018 and expects to sell more in 2019.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2014	2015	2016	2017
Revenue (KRWb)	45	62	80	181
Operating profit (KRWb)	(7)	3	6	37
Net profit (adj) (KRWb)	(7)	3	7	28
EPS (adj) (KRW)	(900)	407	899	3,459
EPS (adj) growth (% y-y)	Remained neg	Turned pos	120.7	284.8
EBITDA margin (%)	(12.0)	7.2	8.2	21.3
ROE (%)	(11.2)	5.3	10.8	33.1
P/E (adj) (x)	(75.1)	166.0	75.2	19.5
P/B (x)	7.9	7.5	6.8	4.9
EV/EBITDA (x)	(97.3)	116.8	80.3	12.8
Dividend yield (%)	0.0	0.1	0.2	0.6

Source: Company data, Samsung Securities estimates

3D sensor business employs core technologies: The firm's 3D sensor business sells 3D sensor modules and system software for utilization in IT-, auto-, and industrial-use cameras for security and information gathering purposes. The firm plans to focus on 3D sensors that are used in home appliances and autos. While its sales have yet to grow in earnest, the business does seem to offer a good opportunity to leverage the firm's core vision technology.

Meere Company's edge grinder



Source: Company data, Samsung Securities

Meere Company's laproscopic surgical robot Revo-i



Source: Company data, Samsung Securities

Results

(KRWb)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	2015	2016	2017	2018*
Sales	48.7	53.9	38.9	39.9	57.9	84.1	41.1	62.4	80.4	181.5	183.1
Operating profit	8.3	14.4	9.6	5.0	9.4	13.7	2.2	3.4	5.7	37.2	25.4
Pre-tax profit	6.0	14.9	10.1	1.9	8.6	16.8	2.0	4.0	7.4	33.0	27.4
Net profit	4.9	13.6	9.0	0.7	4.3	17.1	1.7	3.3	7.3	28.2	23.2
Margins (%)											
Operating profit	17.1	26.6	24.7	12.4	16.3	16.3	5.4	5.4	7.1	20.5	13.9
Pre-tax profit	12.2	27.7	26.1	4.8	14.9	20.0	4.8	6.4	9.2	18.2	15.0
Net profit	10.0	25.2	23.1	1.7	7.4	20.4	4.2	5.3	9.1	15.5	12.6

Source: Company data, Samsung Securities estimates

Note: *2018 figures are cumulative 1Q-3Q numbers

Income statement

Year-end Dec 31 (KRWb)	2013	2014	2015	2016	2017
Sales	64	45	62	80	181
Cost of goods sold	45	36	44	58	118
Gross profit	19	9	18	22	63
Gross margin (%)	30.1	19.5	29.4	27.6	35.0
SG&A expenses	22	15	15	16	26
Operating profit	(3)	(7)	3	6	37
Operating margin (%)	(4.3)	(14.7)	5.4	7.1	20.5
Non-operating gains (losses)	(2)	(1)	1	2	(4)
Financial profit	0	0	0	0	1
Financial costs	2	1	0	0	2
Equity-method gains (losses)	1	(0)	(0)	(0)	(0)
Other	(1)	(0)	1	2	(3)
Pre-tax profit	(5)	(7)	4	7	33
Taxes	(4)	0	1	0	5
Effective tax rate (%)	75.3	(1.6)	16.6	1.3	14.6
Profit from continuing operations	(1)	(7)	3	7	28
Profit from discontinued operations	0	0	0	0	0
Net profit	(1)	(7)	3	7	28
Net margin (%)	(1.8)	(16.4)	5.3	9.1	15.5
Net profit (controlling interests)	(1)	(7)	3	7	28
Net profit (non-controlling interests)	(0)	0	0	0	0
EBITDA	(1)	(5)	5	7	39
EBITDA margin (%)	(1.9)	(12.0)	7.2	8.2	21.3
EPS (parent-based) (KRW)	(141)	(900)	407	899	3,459
EPS (consolidated) (KRW)	(141)	(899)	407	899	3,459
Adjusted EPS (KRW)*	(141)	(900)	407	899	3,459

Cash flow statement

Year-end Dec 31 (KRWb)	2013	2014	2015	2016	2017
Cash flow from operations	34	(3)	(3)	(1)	39
Net profit	(1)	(7)	3	7	28
Non-cash profit and expenses	6	4	3	2	13
Depreciation	1	1	1	1	1
Amortization	0	0	0	0	1
Other	4	3	2	1	11
Changes in A/L from operating activities	33	1	(9)	(10)	(5)
Cash flow from investments	(1)	0	(2)	1	(9)
Change in tangible assets	(0)	(0)	(1)	(1)	(1)
Change in financial assets	(0)	(1)	2	0	(6)
Other	(0)	1	(3)	2	(2)
Cash flow from financing	(21)	3	(0)	(3)	3
Change in debt	(20)	4	(0)	(2)	4
Change in equity	0	0	0	0	0
Dividends	(1)	0	0	(1)	(1)
Other	(0)	(0)	0	(0)	0
Change in cash	11	1	(4)	(3)	32
Cash at beginning of year	4	14	15	11	7
Cash at end of year	14	15	11	7	39
Gross cash flow	5	(3)	6	9	41
Free cash flow	33	(3)	(3)	(2)	38

Note: * Excluding one-off items, ** Fully diluted, excluding one-off items

*** From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

Year-end Dec 31 (KRWb)	2013	2014	2015	2016	2017
Current assets	42	41	46	56	121
Cash & equivalents	14	15	11	7	39
Accounts receivable	7	12	14	19	31
Inventories	6	4	5	6	12
Other current assets	15	9	15	24	39
Fixed assets	46	42	44	44	43
Investment assets	8	3	3	3	4
Tangible assets	29	29	29	29	29
Intangible assets	1	3	5	5	6
Other long-term assets	8	7	7	7	5
Total assets	89	83	89	100	165
Current liabilities	17	17	22	27	64
Accounts payable	5	4	8	11	27
Short-term debt	5	6	8	6	10
Other current liabilities	7	7	6	9	27
Long-term liabilities	3	5	2	2	2
Bonds & long-term debt	0	3	0	0	0
Other long-term liabilities	3	2	2	2	2
Total liabilities	20	22	25	28	66
Owners of parent equity	69	62	65	71	99
Capital stock	4	4	4	4	4
Capital surplus	26	26	26	26	26
Retained earnings	47	40	43	50	77
Other	(8)	(9)	(9)	(9)	(8)
Non-controlling interests' equity	(0)	0	0	0	0
Total equity	69	62	65	71	99
Net debt	(11)	(9)	(3)	(2)	(35)

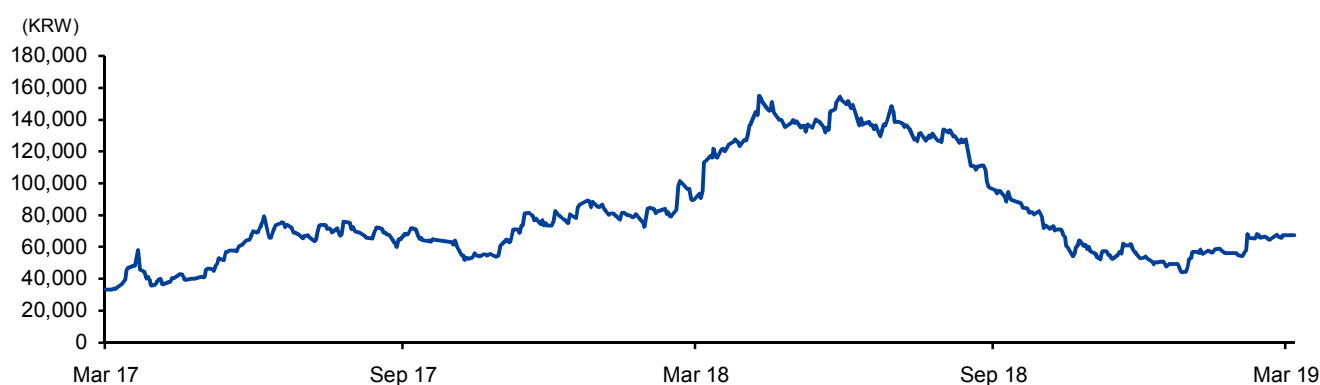
Financial ratios

Year-end Dec 31	2013	2014	2015	2016	2017
Growth (%)					
Sales	(33.9)	(29.8)	39.4	28.9	125.6
Operating profit	Turned neg	Remained neg	Turned pos	68.0	552.4
Net profit	Turned neg	Remained neg	Turned pos	120.7	284.8
Adjusted EPS**	Turned neg	Remained neg	Turned pos	120.7	284.8
Per-share data (KRW)					
EPS (parent-based)	(141)	(900)	407	899	3,459
EPS (consolidated)	(141)	(899)	407	899	3,459
Adjusted EPS**	(141)	(900)	407	899	3,459
BVPS	9,462	8,545	8,971	9,895	13,693
DPS (common)	0	0	94	160	376
Valuations (x)					
P/E***	(479.9)	(75.1)	166.0	75.2	19.5
P/B***	7.1	7.9	7.5	6.8	4.9
EV/EBITDA	(434.8)	(97.3)	116.8	80.3	12.8
Ratios (%)					
ROE	(1.6)	(11.2)	5.3	10.8	33.1
ROA	(1.2)	(8.5)	3.8	7.7	21.3
ROIC	(1.0)	(14.4)	5.6	9.5	50.7
Payout ratio	0.0	0.0	20.4	15.7	9.6
Dividend yield (common)	0.0	0.0	0.1	0.2	0.6
Net debt to equity	(15.5)	(15.3)	(5.3)	(2.6)	(35.4)
Interest coverage (x)	(5.1)	(26.9)	13.8	31.9	201.4

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Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date 2019/3/11
 Recommendation Not Rated
 Target price (KRW) n/a
 Gap* (average)
 (max or min)**

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
 ** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

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NEUTRAL Expected to outperform/underperform market by less than 5% within 12 months
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