

UBcare posted robust 1Q19 results, backed by: 1) new equipment offerings at its medical device distribution domain; and 2) medical clinics' increasing adoption of add-on services made available through the firm's EMR platform. Besides UBcare's cash cow EMR platform, these additional businesses are catalyzing its earnings growth. Subsidiary B-Bros' Ddocdoc app is to begin generating profits in 2H19.

1Q19 review: Registers earning surprise

UBcare announced 1Q19 sales of W25.9bn (-9.9% q-q, +25.1% y-y) and OP of W3.1bn (+122.3% q-q, +126.8% y-y), with OPM of 12.1%. We mainly attribute these robust earnings to: 1) the addition of digital radiography (DR) equipment to the firm's medical device distribution business; and 2) a healthy sales contribution of W2bn from Brain Healthcare (acquired in Mar 2018), an electronic medical record (EMR) solutions player specializing in nursing care facilities and oriental medicine clinics; and 3) an upping in sales of the company's EMR add-on services from W5.2bn in 1Q18 to W6.3bn in 1Q19.

From 2Q19, the company will be offering ultrasonic diagnostics equipment as a new product line-up. Also boding well, as UBcare is able to offer a wider variety of related services than its competitors thanks to its EMR platform, add-on services are helping to drive the firm's earnings growth. Striving to make patient information management more convenient and to differentiate themselves from their competitors, many private clinics are increasingly adopting UBcare's supplementary service solutions, including SMS notification (provides information on hospital appointments, inoculation timing, drugs, etc), waiting number alert services, and automated reception services.

Ddocdoc to begin generating profits in 2H19

In 2015, B-bros (acquired by UBcare in 2016) launched an application called Ddocdoc, which allows users to search for clinics and pharmacies. Ddocdoc features a mobile reservation function that works in conjunction with UBcare's EMR platform. Thanks to its ability to reduce wait times, Ddocdoc's mobile reservation service is seeing a rapid expansion in traffic. We expect the Ddocdoc app to begin generating profits in 2H19, backed by the inclusion of: 1) mobile insurance claim functionality (which promises to both boost patient convenience and enable insurance companies to cut labor costs); and 2) convenient payment functions. Going forward, we predict that the income generated by Ddocdoc will strengthen the value of UBcare's platform business.

Not Rated

CP('19/04/19) W5,700

Sector	Software
Kospi/Kosdaq	2,216.15 / 762.57
Market cap (common)	US\$261.8mn
Outstanding shares (common)	52.2mn
52W high ('18/04/19)	W5,700
low ('18/10/29)	W3,305
Average trading value (60D)	US\$1.5mn
Dividend yield (2019E)	0.7%
Foreign ownership	2.3%

Major shareholders	
Unimorse Holdings and 6 others	34.5%
Kakao Investment	20.0%

Share perf	3M	6M	12M
Absolute (%)	25.3	40.7	2.2
Relative (%)	14.4	36.7	18.2

	2018	2019E	2020F	2021F
Sales	100.4	119.1	139.0	161.2
Chg	22.3	18.6	16.7	16.0
OP	9.2	13.0	15.9	19.0
Chg	22.0	42.1	21.8	20.0
OPM	9.1	10.9	11.4	11.8
NP	5.8	9.9	13.6	16.7
EPS	119	190	260	320
Chg	34.8	59.8	36.5	23.0
P/E	36.9	29.9	21.9	17.8
P/B	2.3	2.7	2.5	2.2
EV/EBITDA	15.6	15.0	12.3	9.9
ROE	7.8	9.5	11.9	13.1
Debt/equity	24.4	14.1	13.9	13.5
Net debt	-66.9	-65.7	-80.5	-97.0

Unit: Wbn, %, won, x

Note 1: NP excludes minority interests

Note 2: EPS, P/E, P/B, and ROE based on NP (excl minority interests)

Source: NH I&S Research Center estimates

1Q19 review (K-IFRS consolidated)

(Unit: Wbn, %)

	1Q18	2Q18	3Q18	4Q18	1Q19P				2Q19E
					Actual	y-y	q-q	Estimate	
Sales	20.7	25.6	25.5	28.7	25.9	25.1	-9.9	23.0	29.5
OP	1.4	3.1	3.3	1.4	3.1	126.8	122.3	2.4	3.7
OPM	6.7	12.1	12.9	4.9	12.1			10.4	12.5
Pre-tax profit	1.0	2.6	2.7	1.4	2.8	186.7	97.4	2.2	3.7
NP (excl minority interest)	1.0	1.9	2.1	0.8	2.1	105.5	159.0	1.4	2.7

Source: WISEfn, NH I&S Research Center estimates



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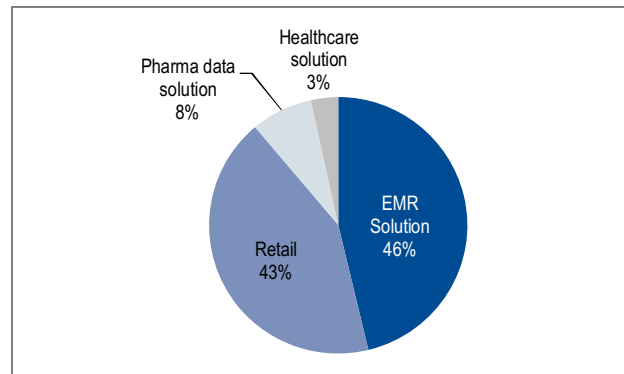
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Company overview

- UBcare is a provider of EMR solutions to domestic hospitals and pharmacies. In addition to EMR solutions (used to track and record the health metrics and information of patients), the firm is also active in the medical device distribution and pharmaceutical data solution markets.
- EMR solutions are adopted by the majority of clinics and pharmacies as a means to make patient information management more convenient.
- Backed by its digital healthcare solutions business, UBcare has been striving to expand the scope of its business activities. In particular, the firm acquired: 1) B-bros in Nov 2016 in a move to enter the mobile O2O market; and 2) Barocare in May 2017 and Brain Healthcare in Mar 2018 in a bid to expand its reach to oriental medicine clinics.

Sales breakdown

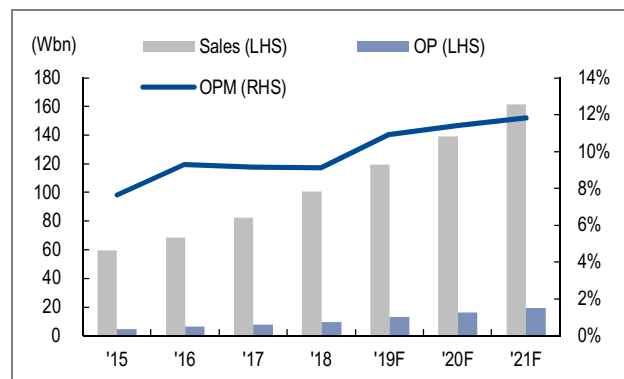
- In 2018, UBcare's sales broke down as: 1) EMR solutions (46%); and 2) retail solutions (43%)
- Led by the EMR add-on services business, earnings at the EMR solutions division have upped, with sales at the retail division rising at a CAGR of 27.6% in recent years



Note: As of 2018
Source: UBcare, NH I&S Research Center

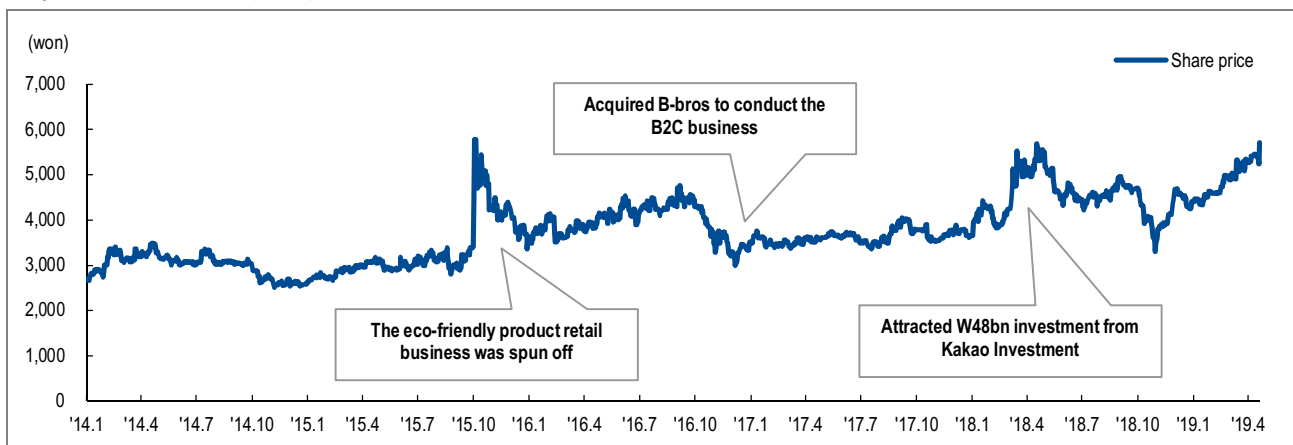
Earnings

- Barring a decline in the number of domestic clinics and pharmacies, EMR solutions sales should remain stable
- The firm's EMR add-on services business and medical equipment retail domains are both displaying solid earnings growth, with medical equipment retail sales improving at a CAGR of 20% over recent years on a rise in the number of products that the firm handles



Source: UBcare, NH I&S Research Center estimate

Major events and share price performance



Source: DataGuide, NH I&S Research Center

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- Hold: -15% to +15%
- Sell: Less than -15%

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77.7%	22.3%	0.0%

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