

# DIO Implant

(039840 KQ/Trading Buy)

## Quick note on 1Q19 preliminary earnings

- 1Q19 review: OP handily beats consensus
- Analyst insights

### 1Q19 review: OP handily beats consensus

- Revenue grew 19.7% YoY, topping the consensus.
- Revenue was down 7.1% YoY for domestic, but up 121.4% YoY for exports and up 31.3% YoY for overseas subsidiaries.
- Revenue by region: +44.1% YoY for the US; +34.7% YoY for China; +113.5% YoY for Iran; -42.7% YoY for Mexico; -61.2% YoY for Australia; -4.5% YoY for Japan; -59.4% YoY for Taiwan; -57.6% YoY for India
- Operating profit grew 16.5% YoY (OP margin of 29.1%), beating the consensus. We believe the company benefited from operating leverage effects, driven by: 1) an increased sales mix of implants (which have higher margins than equipment), especially in overseas markets; and 2) operating expenses that remained in line with the 3Q18 level.

### Analyst insights

- DIO Implant's stock is currently trading at a 12-month forward P/E of 24.3x, a discount to peers (26.8x).
- In 1Q19, earnings growth was driven by the Iran business, which has been benefiting from the withdrawal of competition. Growth also recovered strongly in other core markets like the US and China.
- With market expectations running high, the latest strong results could trigger further share price gains. That said, we advise approaching the stock from a trading perspective (rather than a fundamental one), as earnings improvement in the US (the main driver of market expectations) is likely to materialize in 2H19.
- We plan to revise our earnings estimates once the final results are released.

FY (Dec.)	12/16	12/17	12/18	12/19F	12/20F	12/21F
Revenue (Wbn)	88	92	91	113	135	151
OP (Wbn)	27	22	8	31	37	40
OP margin (%)	30.7	23.9	8.8	27.4	27.4	26.5
NP (Wbn)	21	9	5	23	28	32
EPS (W)	1,352	564	360	1,537	1,874	2,099
ROE (%)	22.2	7.9	4.9	18.6	18.8	17.6
P/E (x)	29.3	62.8	80.0	25.8	21.1	18.9
P/B (x)	5.0	4.2	3.3	3.9	3.3	2.8
Dividend yield (%)	0.0	0.0	0.0	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

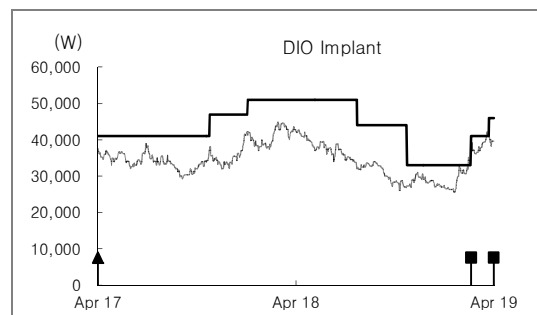
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## APPENDIX 1

### Important Disclosures & Disclaimers

#### 2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
DIO Implant (039840)	04/14/2019	Trading Buy	46,000
	03/12/2019	Trading Buy	41,000
	11/14/2018	Buy	33,000
	08/14/2018	Buy	44,000
	01/24/2018	Buy	51,000
	11/15/2017	Buy	47,000
	04/11/2017	Buy	41,000



#### 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	83.52%	8.24%	8.24%	0.00%
Investment Banking Services	82.61%	4.35%	13.04%	0.00%

\* Based on recommendations in the last 12-months (as of March 31, 2019)

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