

# meerecompany

(049950 KQ/Not Rated)

## First overseas surgical robot order win

- Meerecompany wins first overseas surgical robot order
- Analyst insights: Increasing prospects of re-rating

### Meerecompany wins first overseas surgical robot order

- On April 23<sup>rd</sup>, Meerecompany announced that it had signed a deal to sell two units of its laparoscopic surgical robot ("Revo-i") with Kazakh distributor KMG. Following news of the deal, the company's stock closed 12.92% higher.

### Analyst insights: Increasing prospects of re-rating

- Meerecompany currently has a market value of W550bn, which implies a 12-month forward P/E of 19.7x. While this valuation is higher than the average (10x) of display equipment manufacturers, as a robotics company (the company's new businesses are surgical robots and 3D sensing), the stock is trading at a discount to peers (average of 29-30x).

- The value of the new surgical robot business is critical for Meerecompany to be revalued higher.

- Assuming the display equipment business's operating value at W300bn (based on the sector average P/E of 10x), the valuation of the surgical robot business peaked at W950bn (P/E of 42.7x) on expectations of the sale of the first Korean-made surgical robot, before bottoming at W85bn (P/E of 12.4x) on weakening momentum and delays in additional orders. At present, the surgical robot business is being valued at around W250bn (P/E of 19.7x).

- The latest contract will allow the company to build a track record with small/mid-sized hospitals in overseas markets. The deal is particularly meaningful, as it confirms the company's potential to expand its total addressable market (TAM) to overseas countries. Meerecompany is focused on broadening its TAM beyond large hospitals to include small/mid-sized hospitals and overseas markets through a 42% reduction in the unit costs of robotics surgery, rather than directly competing with global companies in the high-end market (i.e., large hospitals).

- In March, the Korean government unveiled plans to support surgical robots as part of its broader effort to promote the robotics industry. The fact that the announcement of the latest deal coincided with Korean President Moon Jae-in's visit to Kazakhstan underscores the government's strong commitment to support surgical robots. We also note that the hospital that partnered with the company to conduct clinical trials has discussed on multiple occasions the possibility of introducing the company's surgical robot. As such, we see a strong chance of the company winning additional orders, both domestically and overseas.

- The stock has historically exhibited heightened volatility whenever the market reflected expectations on surgical robots. If the company wins further orders in the near future, this would not only boost the company's value, but also prompt the market to value the company as a robotics play.

# APPENDIX 1

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	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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<b>Mirae Asset Daewoo Co., Ltd. (Seoul)</b> Global Equity Sales Team Mirae Asset Center 1 Building 26 Eulji-ro 5-gil, Jung-gu, Seoul 04539 Korea  Tel: 82-2-3774-2124	<b>Mirae Asset Securities (HK) Ltd.</b> Suites 1109-1114, 11th Floor Two International Finance Centre 8 Finance Street, Central Hong Kong China Tel: 852-2845-6332	<b>Mirae Asset Securities (UK) Ltd.</b> 41st Floor, Tower 42 25 Old Broad Street, London EC2N 1HQ United Kingdom  Tel: 44-20-7982-8000
<b>Mirae Asset Securities (USA) Inc.</b> 810 Seventh Avenue, 37th Floor New York, NY 10019 USA  Tel: 1-212-407-1000	<b>Mirae Asset Wealth Management (USA) Inc.</b> 555 S. Flower Street, Suite 4410, Los Angeles, California 90071 USA  Tel: 1-213-262-3807	<b>Mirae Asset Wealth Management (Brazil) CCTVM</b> Rua Funchal, 418, 18th Floor, E-Tower Building Vila Olimpia Sao Paulo - SP 04551-060 Brasil Tel: 55-11-2789-2100
<b>PT. Mirae Asset Sekuritas Indonesia</b> Equity Tower Building Lt. 50 Sudirman Central Business District Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan 12190 Indonesia Tel: 62-21-515-3281	<b>Mirae Asset Securities (Singapore) Pte. Ltd.</b> 6 Battery Road, #11-01 Singapore 049909 Republic of Singapore  Tel: 65-6671-9845	<b>Mirae Asset Securities (Vietnam) LLC</b> 7F, Saigon Royal Building 91 Pasteur St. District 1, Ben Nghe Ward, Ho Chi Minh City Vietnam  Tel: 84-8-3911-0633 (ext.110)
<b>Mirae Asset Securities Mongolia UTsK LLC</b> #406, Blue Sky Tower, Peace Avenue 17 1 Khoroo, Sukhbaatar District Ulaanbaatar 14240 Mongolia  Tel: 976-7011-0806	<b>Mirae Asset Investment Advisory (Beijing) Co., Ltd</b> 2401B, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China  Tel: 86-10-6567-9699	<b>Beijing Representative Office</b> 2401A, 24th Floor, East Tower, Twin Towers B12 Jianguomenwai Avenue, Chaoyang District Beijing 100022 China  Tel: 86-10-6567-9699 (ext. 3300)
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