

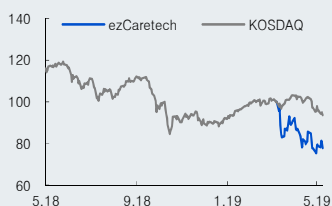
Not Rated

Target Price (12M, W)	-
Share Price (05/23/19, W)	24,850
Expected Return	-

OP (19F, Wbn)	5
Consensus OP (19F, Wbn)	6
EPS Growth (19F, %)	-70.0
Market EPS Growth (19F, %)	-
P/E (19F, x)	35.2
Market P/E (19F, x)	-
KOSDAQ	696.89

Market Cap (Wbn)	159
Shares Outstanding (mn)	6
Free Float (%)	57.3
Foreign Ownership (%)	0.0
Beta (12M)	2.03
52-Week Low	24,050
52-Week High	31,950

(%)	1M	6M	12M
Absolute	-6.8	0.0	0.0
Relative	1.9	0.0	0.0



Mirae Asset Daewoo Co., Ltd.

[MedTech/Healthcare Solutions]

Choong-hyun Kim, CFA
+822-3774-1740
choonghyun.kim@miraeasset.com

ezCaretech

(099750 KQ)

FY2018 earnings review

Company overview: A leading healthcare IT system supplier

ezCaretech specializes in the development and operation of hospital information systems (HIS), such as electronic medical records (EMR) and clinical decision support systems (CDSS). The company, which was spun off from Seoul National University Hospital, is the only Korean healthcare IT firm that has been validated by the Healthcare Information and Management Systems Society (HIMSS) as a Stage 7 healthcare system supplier. The company is mainly engaged in the business of developing customized IT solutions for large hospitals.

Key points

(1) Strong positioning in large-hospital solutions: ezCaretech enjoys a robust presence in the domestic EMR market for large hospitals, with five of the top 10 hospitals using the company's solutions. The company currently operates 33 sites. IT systems at large hospitals are entering a replacement cycle, and an increasing number of hospitals are introducing next-generation IT systems.

(2) Overseas order growth: ezCaretech has established references in the Middle East region and the US. The company plans to broaden its presence in public sector hospitals in the Middle East through its Saudi Arabia joint venture, while expanding its references in the US by targeting psychiatric facilities. The company is also looking to advance into China, Japan, and Europe.

(3) Cloud-based healthcare IT systems: ezCaretech plans to target the small/mid-sized hospital segment by introducing cloud systems. Smaller hospitals often find it too costly to develop their own IT solutions, as larger hospitals do. The use of cloud technology is expected to help significantly reduce the time and cost needed to develop and operate IT solutions.

Earnings and valuation

In FY2018 (ended in March), revenue rose just 0.7% YoY to W55.7bn, due to a decline in new orders. Operating profit contracted 22.6% YoY to W3.4bn (OP margin of 6%), weighed by increased spending on cloud system development and overseas marketing.

For FY2019, management guided revenue of W62bn (+11.3% YoY) and operating profit of W5bn (+48.8% YoY; OP margin of 8.1%). At present, the company's stock is trading at a 12-month forward P/E of 33.4x, a premium to its foreign peer Cerner (24.6x).

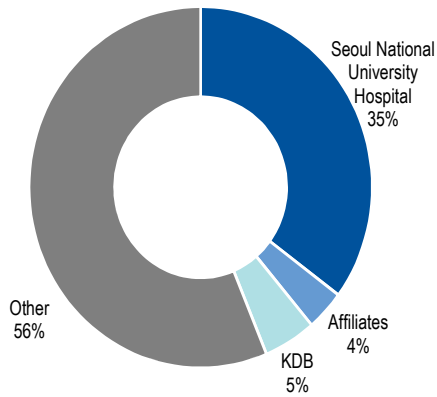
FY (Mar.)	3/15	3/16	3/17	3/18	3/19	3/20F
Revenue (Wbn)	-	-	53	55	56	62
OP (Wbn)	-	-	4	4	3	5
OP margin (%)	-	-	7.5	7.3	5.4	8.1
NP (Wbn)	-	-	4	4	3	5
EPS (W)	-	-	744	716	2,352	705
ROE (%)	-	-	14.5	13.1	9.9	12.2
P/E (x)	-	-	-	-	11.3	35.2
P/B (x)	-	-	-	-	4.9	4.1
Dividend yield (%)	-	-	-	-	0.0	0.0

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

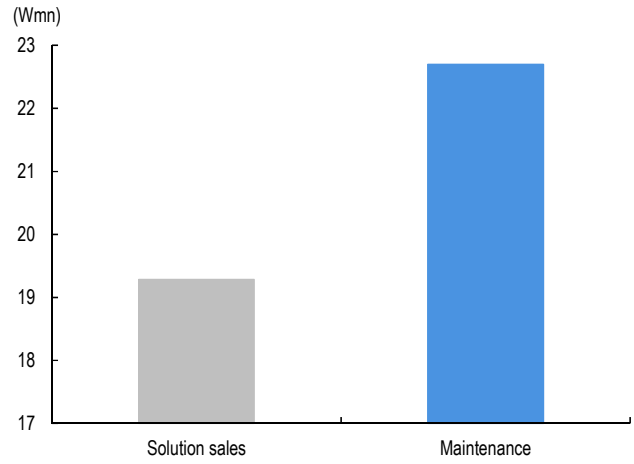
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Figure 1. Ownership breakdown



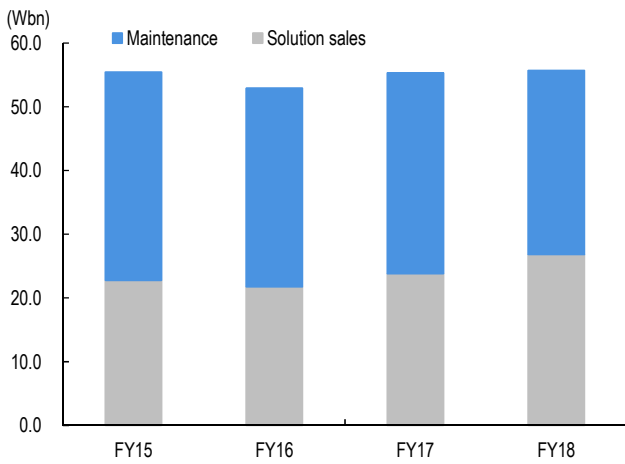
Source: ezCaretech, Mirae Asset Daewoo Research

Figure 2. Order backlog



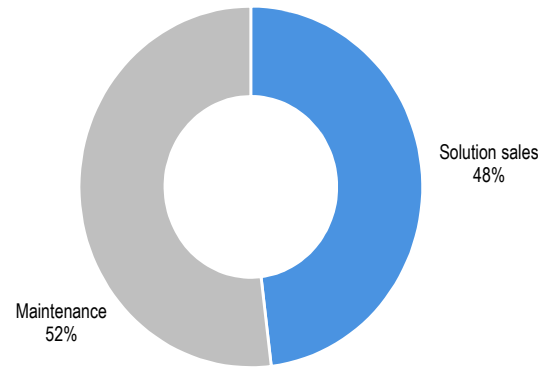
Source: ezCaretech, Mirae Asset Daewoo Research

Figure 3. Revenue



Source: ezCaretech, Mirae Asset Daewoo Research

Figure 4. Revenue breakdown



Source: ezCaretech, Mirae Asset Daewoo Research

ezCaretech (099750 KQ/Not Rated)

Comprehensive Income Statement (Summarized)

(Wbn)	03/17	03/18	03/19	03/20F
Revenue	53	55	56	62
Cost of Sales	43	44	45	50
Gross Profit	10	11	11	12
SG&A Expenses	5	7	7	7
Operating Profit (Adj)	4	4	3	5
Operating Profit	4	4	3	5
Non-Operating Profit	1	0	1	1
Net Financial Income	0	0	0	1
Net Gain from Inv in Associates	0	0	0	0
Pretax Profit	5	4	4	6
Income Tax	1	1	1	1
Profit from Continuing Operations	4	4	4	5
Profit from Discontinued Operations	0	0	0	0
Net Profit	4	4	4	5
Controlling Interests	4	4	3	5
Non-Controlling Interests	0	0	0	1
Total Comprehensive Profit	4	4	4	5
Controlling Interests	4	4	3	4
Non-Controlling Interests	0	0	0	1
EBITDA	4	5	4	5
FCF (Free Cash Flow)	5	3	4	10
EBITDA Margin (%)	7.5	9.1	7.1	8.1
Operating Profit Margin (%)	7.5	7.3	5.4	8.1
Net Profit Margin (%)	7.5	7.3	5.4	8.1

Cash Flows (Summarized)

(Wbn)	03/17	03/18	03/19	03/20F
Cash Flows from Op Activities	5	3	4	10
Net Profit	4	4	4	5
Non-Cash Income and Expense	2	2	1	0
Depreciation	0	0	0	0
Amortization	0	0	0	0
Others	2	2	1	0
Chg in Working Capital	1	-3	0	5
Chg in AR & Other Receivables	0	-3	0	7
Chg in Inventories	0	0	0	0
Chg in AP & Other Payables	3	1	2	-3
Income Tax Paid	-2	0	-1	-1
Cash Flows from Inv Activities	-1	-4	-3	3
Chg in PP&E	0	0	0	0
Chg in Intangible Assets	-1	-4	-1	0
Chg in Financial Assets	-5	0	0	3
Others	5	0	-2	0
Cash Flows from Fin Activities	0	0	1	0
Chg in Financial Liabilities	0	0	0	0
Chg in Equity	3	0	1	0
Dividends Paid	0	0	0	0
Others	-3	0	0	0
Increase (Decrease) in Cash	3	-1	2	14
Beginning Balance	7	10	0	9
Ending Balance	10	9	9	22

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	03/17	03/18	03/19	03/20F
Current Assets	28	31	31	31
Cash and Cash Equivalents	10	9	9	22
AR & Other Receivables	12	15	15	6
Inventories	0	0	0	0
Other Current Assets	6	7	7	3
Non-Current Assets	6	8	14	13
Investments in Associates	0	0	0	0
Property, Plant and Equipment	1	1	1	0
Intangible Assets	2	5	9	9
Total Assets	34	39	45	44
Current Liabilities	6	8	8	3
AP & Other Payables	4	6	6	2
Short-Term Financial Liabilities	0	0	0	0
Other Current Liabilities	2	2	2	1
Non-Current Liabilities	3	2	2	1
Long-Term Financial Liabilities	0	0	0	0
Other Non-Current Liabilities	3	2	2	1
Total Liabilities	8	10	10	4
Controlling Interests	25	29	35	39
Capital Stock	1	2	3	3
Capital Surplus	1	0	1	1
Retained Earnings	23	27	32	37
Non-Controlling Interests	0	0	0	1
Stockholders' Equity	25	29	35	40

Forecasts/Valuations (Summarized)

	03/17	03/18	03/19	03/20F
P/E (x)	-	-	11.3	35.2
P/CF (x)	-	-	8.1	30.1
P/B (x)	-	-	4.9	4.1
EV/EBITDA (x)	-	-	44.4	25.8
EPS (W)	744	716	2,352	705
CFPS (W)	1,103	1,114	3,255	825
BPS (W)	5,123	5,797	5,407	6,112
DPS (W)	82	145	0	0
Payout ratio (%)	11.1	11.7	0.0	0.0
Dividend Yield (%)	-	-	0.0	0.0
Revenue Growth (%)	-	3.8	1.8	10.7
EBITDA Growth (%)	-	25.0	-20.0	25.0
Operating Profit Growth (%)	-	0.0	-25.0	66.7
EPS Growth (%)	-	-3.8	228.5	-70.0
Accounts Receivable Turnover (x)	4.7	4.8	4.7	7.6
Inventory Turnover (x)	0.0	0.0	0.0	0.0
Accounts Payable Turnover (x)	12.9	10.7	9.4	14.9
ROA (%)	11.0	9.9	8.4	11.4
ROE (%)	14.5	13.1	9.9	12.2
ROIC (%)	27.7	26.5	14.3	22.7
Liability to Equity Ratio (%)	32.4	36.2	30.0	9.8
Current Ratio (%)	483.4	387.2	382.9	1,000.9
Net Debt to Equity Ratio (%)	-56.2	-45.5	-36.9	-59.5
Interest Coverage Ratio (x)	198.3	449,227.0	0.0	0.0

APPENDIX 1

Important Disclosures & Disclaimers

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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Mirae Asset Daewoo International Network

Mirae Asset Daewoo Co., Ltd. (Seoul)

Global Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

Equity Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan
12190
Indonesia
Tel: 62-21-515-3281

Mirae Asset Securities Mongolia UTsK LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area Shanghai
200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Suites 1109-1114, 11th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
China
Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building Vila
Olimpia
Sao Paulo - SP
04551-060
Brasil
Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)
