

NICE Information Service (030190 KS)

Beneficiary of innovation financing

BUY (Maintain)

CP (Jun. 3)	KRW14,750
TP (6 months)	KRW19,000
Upside	28.8%

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KOSPI		2,067.85p
KOSDAQ		697.50p
Market cap		KRW895.5bn/USD785.6mn
Par value		KRW500
Outstanding shares		60.7mn
Free float		32.9mn (54.2%)
52-week high/low		KRW15,300/KRW9,380
60-day avg. trading volume		189,675shrs
60-day avg. turnover		KRW2,561mn
Foreign ownership		31.23%
Major shareholders	NICE Holdings	42.99%
	Mawer Investment Management and 3 others	6.12%
Absolute performance	3M	42.5%
	6M	26.1%
	12M	23.9%
Relative performance	3M	49.4%
to KOSDAQ	6M	28.2%
	12M	57.0%

- ◆ Beneficiary of the government's drive for innovation financing
- ◆ 2Q19 outlook: OP of KRW17.3bn (+8.5% YoY), NP of KRW13.3bn (+7.8% YoY)
- ◆ Retain BUY and raise target price to KRW19,000

Beneficiary of the government's drive for innovation financing

NICE Information Service stands to benefit from the government's drive for innovation financing, including the reform of corporate lending system and expansion of technology financing and supply of loans based on future growth potential. The existing TCB (tech credit bureau) division has delivered strong growth every year, led by the increase in bank loans to tech firms. We expect to see growing needs for TCB services for investment purposes.

The revision of the Use and Protection of Credit Information Act, if passed within this year, should accelerate the company's transition into a big data analytics business. Global CB peer Experian (EXPN LN) secures 24% of its sales from big data analysis services. Given NICE Information Service's 8%, we expect sales to grow going forward based on its large database and data analytics capabilities.

2Q19 outlook: OP of KRW17.3bn (+8.5% YoY), NP of KRW13.3bn (+7.8% YoY)

We forecast operating profit of KRW17.3bn (+8.5% YoY) and net profit of KRW13.3bn (+7.8% YoY) for 2Q. While sustaining stable CB earnings, the company is expected to achieve growth in TCB services and high-margin corporate intelligence business. Especially in corporate intelligence, we will likely see the effects of order growth and price hikes.

Retain BUY and raise target price to KRW19,000

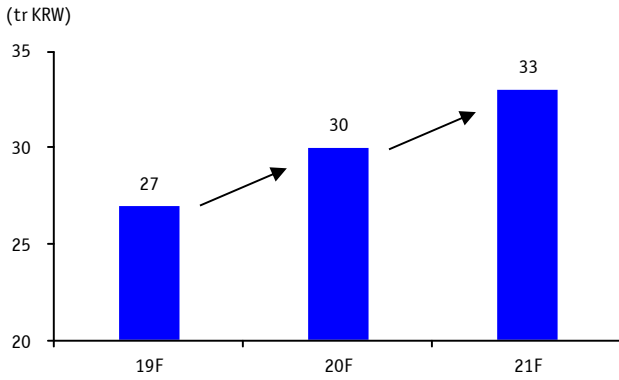
We upgrade our target price for NICE Information Service by 18.8% to KRW19,000, based on 2019F EPS of KRW709 and a target PER of 27.1x (2019F PER average of three listed global CB peers). Adding to stable existing operations, structural growth should be possible with the government's policy support for innovation financing and expanding big data industry. NICE Information Service is likely to be a major beneficiary given its strong reputation and commanding market share (CB 72.2%, corporate intelligence 34.4%) vs. peers. Despite the recent share price rally, we continue to pay attention to the company in view of its mid/long-term growth potential.

Year to	Sales	OP	Pre-tax	NP	EPS	Growth	BPS	PER	EV/EBITDA	PBR	ROE	Net debt
December	(bn KRW)	(bn KRW)	(bn KRW)	(bn KRW)	(KRW)	(%)	(KRW)	(x)	(x)	(x)	(%)	ratio (%)
2017	360.4	42.6	41.4	30.7	505	8.3	2,825	17.2	8.6	3.1	18.8	(50.0)
2018	383.8	48.6	50.6	38.3	631	24.9	3,267	23.4	13.5	4.5	20.7	(49.6)
2019F	422.5	55.9	57.8	42.7	703	11.5	3,538	21.0	10.8	4.2	20.7	(49.9)
2020F	442.9	64.6	66.5	49.4	814	15.7	4,037	18.1	9.2	3.7	21.5	(59.9)
2021F	465.7	73.6	75.5	56.3	928	14.0	4,650	15.9	7.9	3.2	21.4	(70.1)

Source: Company data, Shinhan Investment Corp. / Note: TB = turn black, TR = turn red, RR = remain red

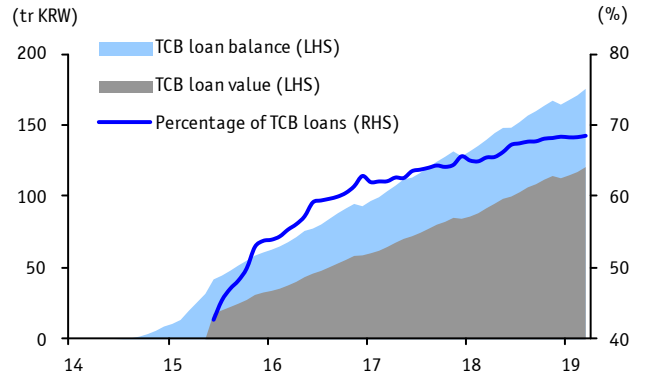
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Technology financing amount



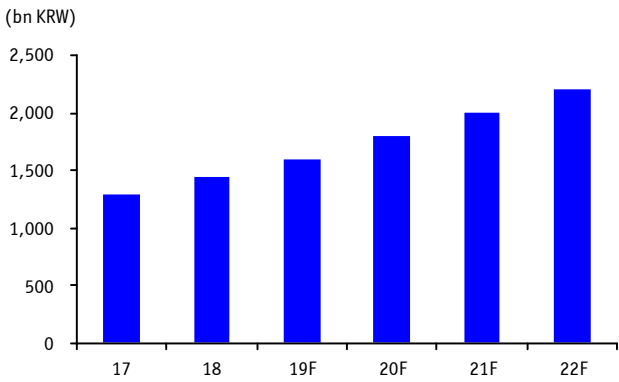
Source: Ministry of Economy and Finance, Shinhan Investment Corp.

TCB loan balance of banks



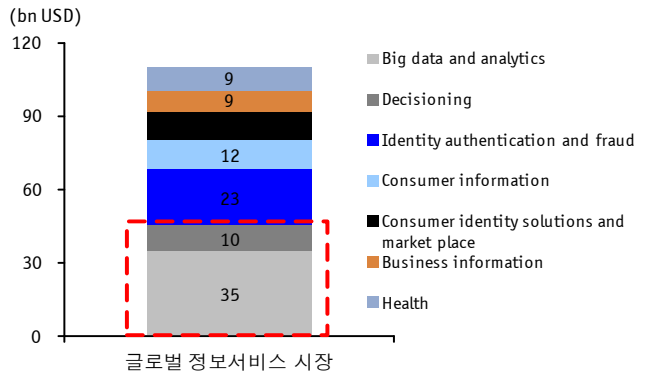
Source: Korea Federation of Banks, Shinhan Investment Corp.

Domestic market for big data and analytics



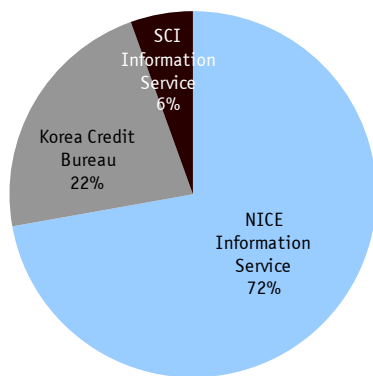
Source: IDC, Shinhan Investment Corp.

Breakdown of global information service market



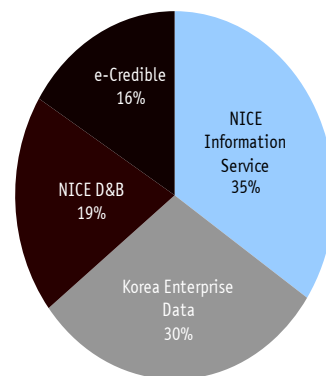
Source: Experian, Shinhan Investment Corp.

Credit bureau market share



Source: Company data, Shinhan Investment Corp.

Corporate intelligence market share



Source: Company data, Shinhan Investment Corp.

2019 forecast

(bn KRW, %, %p)	2019F	2018	YoY	1Q19	QoQ
Sales	111.3	101.0	10.2	100.8	10.4
OP	17.3	16.0	8.5	13.8	25.7
NP	13.3	12.4	7.8	10.7	24.7
OPM	15.6	15.8	(0.2)	13.7	1.9
NPM	12.0	12.2	(0.3)	10.6	1.4

Source: Shinhan Investment Corp.

PER valuation

NP (bn KRW)	42.7	2019F net profit
EPS (KRW)	703	
Target multiple (x)	27.1	2019F PER average of global peers
Target price (KRW)	19,000	
Current price	14,750	
Upside (%)	28.8	

Source: Bloomberg, Shinhan Investment Corp.

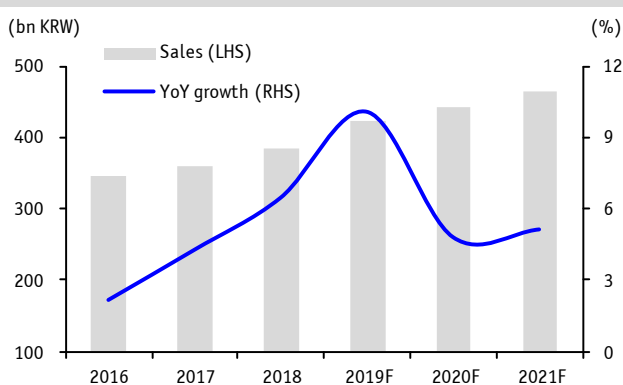
Note: Global peers are Experian (EXPN LN), Equifax (EFX US), and Verisk Analytics (VRSK US)

Earnings trend and outlook

(bn KRW, %)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19F	3Q19F	4Q19F	1Q20F	2Q20F	3Q20F	4Q20F	2018	2019F	2020F
Sales	93.2	101.0	94.2	95.3	100.8	111.3	105.5	104.8	110.0	120.6	106.7	105.6	383.8	422.5	442.9
Credit bureau	61.9	61.7	61.1	63.6	66.0	67.5	69.1	70.7	72.3	73.9	67.2	68.7	248.3	273.2	282.1
Corporate intelligence	16.8	24.5	17.6	15.8	19.3	27.0	19.4	17.3	21.3	29.7	22.3	19.9	74.6	83.0	93.1
Asset management	15.1	15.1	15.7	16.4	16.2	17.1	17.2	17.2	17.2	17.2	17.3	17.3	62.3	67.7	69.0
Others	1.0	1.6	1.3	1.0	0.8	1.7	1.3	1.1	0.9	1.7	1.3	1.1	4.9	4.9	5.1
Internal transactions	(1.5)	(2.0)	(1.4)	(1.4)	(1.6)	(2.0)	(1.4)	(1.4)	(1.6)	(2.0)	(1.4)	(1.4)	(6.3)	(6.4)	(6.4)
OP	12.6	16.0	11.3	8.8	13.8	17.3	13.7	11.1	17.7	21.3	14.2	11.4	48.6	55.9	64.6
NP	9.9	12.4	8.3	7.7	10.7	13.3	10.6	8.1	13.6	16.4	10.9	8.5	38.3	42.7	49.4
OPM	13.5	15.8	12.0	9.2	13.7	15.6	13.0	10.6	16.1	17.7	13.3	10.8	12.7	13.2	14.6
NPM	10.6	12.2	8.9	8.1	10.6	12.0	10.1	7.7	12.4	13.6	10.2	8.1	10.0	10.1	11.2

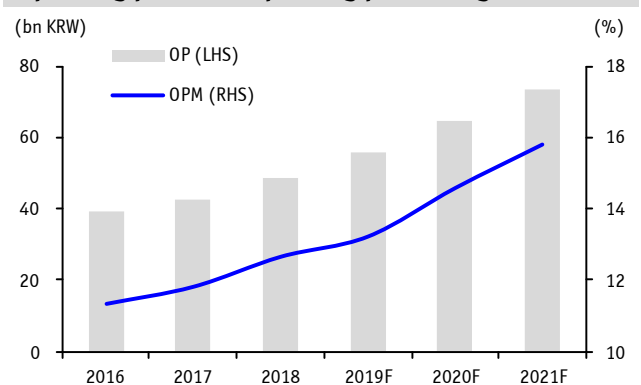
Source: Company data, Shinhan Investment Corp.

Sales



Source: Company data, Shinhan Investment Corp.

Operating profit and operating profit margin



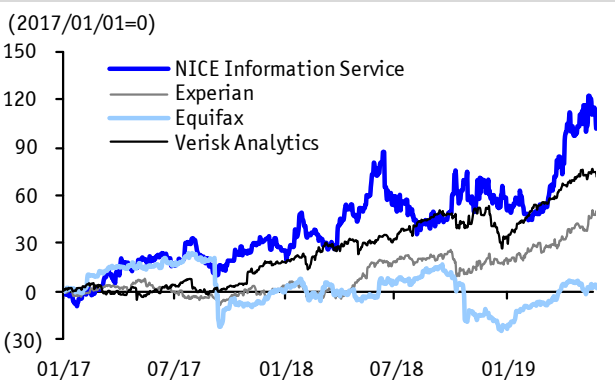
Source: Company data, Shinhan Investment Corp.

Peer group valuation			NICE Information Service	Experian	Equifax	Verisk Analytics
(bn KRW, x, %)						
Sales	2018		349	4,861	3,412	2,395
(mn USD)	2019F		345	5,212	3,467	2,567
	2020F		367	5,586	3,668	2,743
OP	2018		44	1,211	839	841
(mn USD)	2019F		46	1,383	438	899
	2020F		51	1,505	961	993
Pre-tax profit	2018		46	1,090	747	726
(mn USD)	2019F		47	1,279	209	773
	2020F		51	1,411	875	873
NP	2018		35	799	579	604
(mn USD)	2019F		35	965	687	733
	2020F		39	1,060	754	811
EPS	2018		0.6	0.9	4.8	3.7
(USD)	2019F		0.6	1.1	5.6	4.4
	2020F		0.7	1.2	6.1	4.9
BPS	2018		3.0	2.8	25.8	12.6
(USD)	2019F		3.2	3.1	23.4	14.7
	2020F		3.6	3.4	23.3	16.7
ROE	2018		20.8	31.3	18.4	30.2
(%)	2019F		19.8	36.1	10.8	32.0
	2020F		19.1	36.4	20.9	30.3
ROA	2018		15.3	9.8	8.0	10.1
(%)	2019F		14.6	11.0	2.1	11.9
	2020F		14.5	11.1	8.9	12.3
PER	2018		17.1	39.8	19.5	30.4
(x)	2019F		21.0	28.2	21.4	31.7
	2020F		19.0	25.5	19.7	28.6
PBR	2018		3.3	11.0	3.6	8.6
(x)	2019F		3.9	9.9	5.2	9.5
	2020F		3.5	9.0	5.2	8.4

Source: Bloomberg consensus, Shinhan Investment Corp.

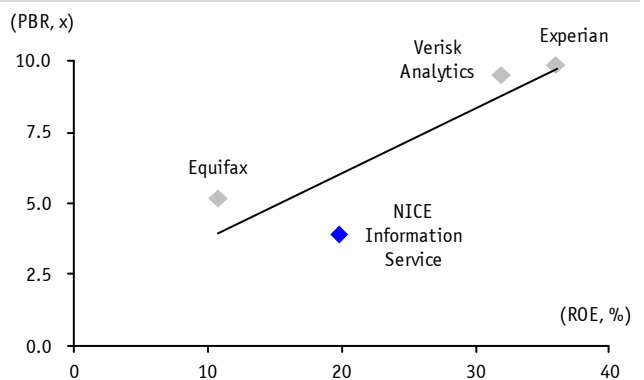
Note: 2019-2020 forecasts for Experian based on FY2020-2021 (fiscal year ending in March)

Relative share performance vs. global peers



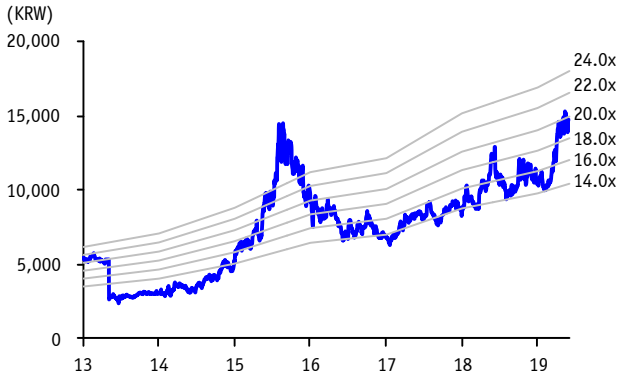
Source: Bloomberg, Shinhan Investment Corp.

PBR-ROE comparison vs. global peers



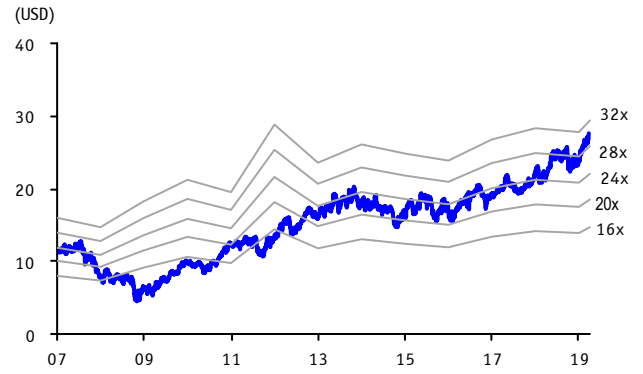
Source: Bloomberg, Shinhan Investment Corp.

NICE Information Service: PER band



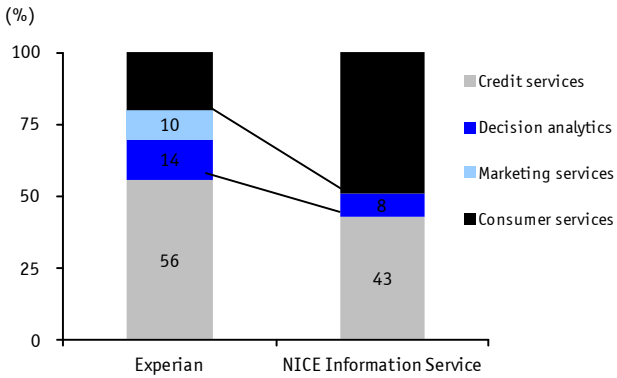
Source: QuantiWise, Shinhan Investment Corp.

Experian: PER band



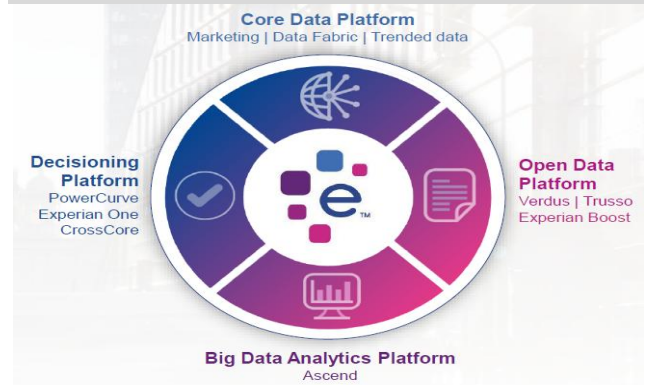
Source: Bloomberg, Shinhan Investment Corp.

Breakdown of big data business



Source: Company data, Shinhan Investment Corp.

Experian: B2B platform



Source: Experian, Shinhan Investment Corp.

Statement of financial position

Year to December (bn KRW)	2017	2018	2019F	2020F	2021F
Total assets	234.7	268.1	306.1	337.0	381.1
Current assets	123.0	144.4	172.6	212.5	268.3
Cash and equivalents	72.0	71.9	92.8	132.2	180.8
Accounts receivable	34.0	19.4	21.4	21.5	23.5
Inventories	0.0	0.0	0.0	0.0	0.0
Non-current assets	111.7	123.7	133.6	124.5	112.8
Tangible assets	32.2	36.3	47.7	42.1	32.3
Intangible assets	27.8	27.1	26.5	22.8	17.4
Investment assets	31.0	39.0	39.0	39.3	42.8
Other financial assets	0.0	0.0	0.0	0.0	0.0
Total liabilities	63.1	69.7	91.3	91.9	98.8
Current liabilities	62.3	68.7	75.5	76.1	82.9
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	0.0	0.0
Current portion of long-term debt	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	0.8	1.0	15.8	15.8	15.9
Bonds	0.0	0.0	0.0	0.0	0.0
Long-term borrowings	0.0	0.0	14.6	14.6	14.6
Other financial liabilities	0.0	0.0	0.0	0.0	0.0
Total shareholders' equity	171.5	198.4	214.8	245.1	282.3
Capital stock	30.4	30.4	30.4	30.4	30.4
Capital surplus	49.9	49.9	49.9	49.9	49.9
Other capital	(7.3)	(7.3)	(7.3)	(7.3)	(7.3)
Accumulated other comprehensive income	0.1	(3.3)	(3.3)	(3.3)	(3.3)
Retained earnings	98.6	128.8	145.2	175.5	212.7
Controlling interest equity	171.5	198.4	214.8	245.1	282.3
Non-controlling interest equity	0.0	0.0	0.0	0.0	0.0
*Total debt	0.0	0.0	14.6	14.6	14.6
*Net debt (cash)	(85.7)	(98.3)	(107.2)	(146.7)	(198.0)

Statement of cash flow

Year to December (bn KRW)	2017	2018	2019F	2020F	2021F
Cash flow from operations	43.7	49.4	39.1	63.4	74.9
Net profit	30.7	38.3	42.7	49.4	56.3
Depreciation expense	4.0	5.2	12.0	11.5	9.8
Amortization expense	4.9	5.2	5.4	5.4	5.4
FX translation loss (gain)	0.0	0.0	0.0	0.0	0.0
Asset disposal loss (gain)	0.0	(0.3)	(0.0)	0.0	0.0
Equity method loss (gain)	(0.6)	(0.2)	(0.3)	(0.3)	(0.3)
Change in working capital	(3.3)	(3.8)	(26.5)	(4.0)	2.3
(Payment of income tax)	(10.3)	(12.4)	(11.7)	(17.0)	(19.1)
Others	18.3	17.4	17.5	18.4	20.5
Cash flow from investments	(24.5)	(41.1)	(16.3)	(7.7)	(5.8)
Increase in tangible assets	(20.9)	(8.5)	(8.7)	(5.8)	0.0
Decrease in tangible assets	0.0	0.0	0.0	0.0	0.0
Change in intangible assets	(4.0)	(3.9)	(5.1)	(1.7)	0.0
Change in investment assets	(1.0)	(1.3)	2.6	0.0	(3.2)
Others	1.4	(27.4)	(5.1)	(0.2)	(2.6)
Free cash flow	22.9	36.2	52.3	59.3	72.4
Cash flow from financing	(14.4)	(8.4)	(1.9)	(16.3)	(20.5)
Change in borrowings	0.0	0.0	0.0	0.0	0.0
Change in treasury stock	6.5	0.0	0.0	0.0	0.0
Dividends	(7.9)	(8.4)	0.0	(14.9)	(19.1)
Others	(13.0)	0.0	(1.9)	(1.4)	(1.4)
Other cash flow	0.0	0.0	(0.0)	0.0	0.0
Change in consolidated scope	0.0	0.0	0.0	0.0	0.0
Change in FX rates	0.0	0.0	0.0	0.0	0.0
Change in total cash	4.8	(0.1)	20.9	39.3	48.6
Beginning cash	67.2	72.0	71.9	92.8	132.2
Ending cash	72.0	71.9	92.8	132.2	180.8

Source: Company data, Shinhan Investment Corp.

Statement of comprehensive income

Year to December (bn KRW)	2017	2018	2019F	2020F	2021F
Sales	360.4	383.8	422.5	442.9	465.7
Growth (%)	4.3	6.5	10.1	4.8	5.2
COGS	0.0	0.0	0.0	0.0	0.0
Gross profit	360.4	383.8	422.5	442.9	465.7
GPM (%)	100.0	100.0	100.0	100.0	100.0
SG&A	317.8	335.2	366.6	378.3	392.1
Operating profit	42.6	48.6	55.9	64.6	73.6
Growth (%)	8.7	14.0	15.0	15.6	13.9
OPM (%)	11.8	12.7	13.2	14.6	15.8
Non-operating profit	(1.2)	2.0	1.9	1.9	1.9
Financial profit	1.0	1.4	1.4	1.4	1.4
Other non-operating profit	(2.8)	0.1	0.1	0.1	0.1
Equity method gain (loss)	0.6	0.5	0.3	0.3	0.3
Pre-tax profit	41.4	50.6	57.8	66.5	75.5
Income tax	10.8	12.3	15.0	17.0	19.1
Continuing operations	30.7	38.3	42.7	49.4	56.3
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Net profit	30.7	38.3	42.7	49.4	56.3
Growth (%)	8.3	24.9	11.5	15.7	14.0
NPM (%)	8.5	10.0	10.1	11.2	12.1
Controlling interest	30.7	38.3	42.7	49.4	56.3
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Comprehensive income	30.6	35.2	42.8	49.4	56.3
Controlling interest	30.6	35.2	42.8	49.4	56.3
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
EBITDA	51.6	59.0	73.3	81.5	88.8
Growth (%)	8.8	14.3	24.2	11.2	9.0
EBITDA margin (%)	14.3	15.4	17.3	18.4	19.1

Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&A)

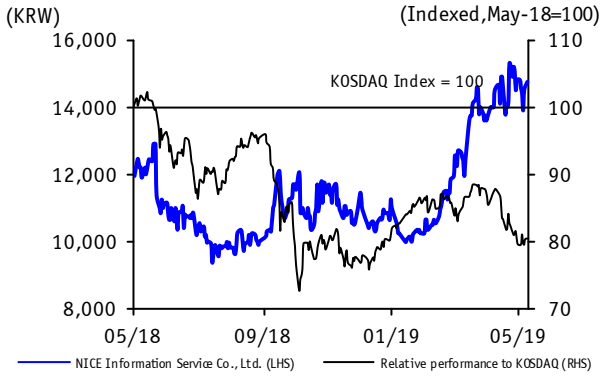
Key ratios

Year to December	2017	2018	2019F	2020F	2021F
EPS (KRW)	505	631	703	814	928
EPS of controlling interest (KRW)	505	631	703	814	928
BPS (KRW)	2,825	3,267	3,538	4,037	4,650
BPS of controlling interest (KRW)	2,825	3,267	3,538	4,037	4,650
DPS (KRW)	140	190	250	320	320
PER (x)	17.2	23.4	21.0	18.1	15.9
PER of controlling interest (x)	17.2	23.4	21.0	18.1	15.9
PBR (x)	3.1	4.5	4.2	3.7	3.2
PBR of controlling interest (x)	3.1	4.5	4.2	3.7	3.2
EV/EBITDA (x)	8.6	13.5	10.8	9.2	7.9
Dividend payout ratio (%)	27.3	0.0	35.0	38.7	34.0
Dividend yield (%)	1.6	1.3	1.7	2.2	2.2
Profitability					
EBITDA margin (%)	14.3	15.4	17.3	18.4	19.1
OPM (%)	11.8	12.7	13.2	14.6	15.8
NPM (%)	8.5	10.0	10.1	11.2	12.1
ROA (%)	13.5	15.2	14.9	15.4	15.7
ROE (%)	18.8	20.7	20.7	21.5	21.4
ROIC (%)	109.0	94.7	91.1	107.5	176.2
Stability					
Debt to equity ratio (%)	36.8	35.1	42.5	37.5	35.0
Net debt ratio (%)	(50.0)	(49.6)	(49.9)	(59.9)	(70.1)
Cash ratio (%)	115.6	104.7	122.9	173.6	218.1
Interest coverage ratio (x)	N/A	N/A	318.8	N/A	N/A
Activity (%)					
Working capital turnover (times)	(15.4)	(16.1)	(17.8)	(17.8)	(17.8)
Inventory turnover (days)	0.0	0.0	0.0	0.0	0.0
Receivable turnover (days)	36.2	25.4	17.6	17.7	17.6

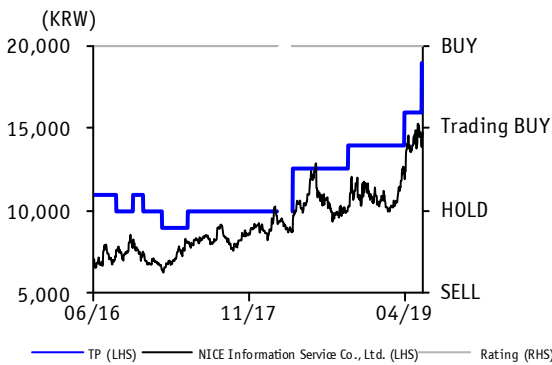
Source: Company data, Shinhan Investment Corp.

NICE Information Service (030190 KS)

Share performance



Target price



Date	Rating	Target price (KRW)	Target price gap (%)	
			Average	Max/Min
2016.04.12	BUY	11,000	(31.5)	(18.8)
2016.08.17	BUY	10,000	(23.4)	(14.1)
2016.10.12	BUY	11,000	(30.5)	(24.5)
2016.11.15	BUY	10,000	(30.5)	(24.3)
2017.01.17	BUY	9,000	(19.4)	(7.2)
2017.04.13	BUY	10,000	(14.2)	3.0
2018.02.06	No Coverage	-	-	-
2018.03.29	BUY	10,000	-	-
2018.03.30	BUY	12,600	(16.1)	2.4
2018.10.01	6M later	-	-	-
2018.10.01	BUY	14,000	(21.6)	(9.3)
2019.04.02	6M later	-	(12.1)	(10.7)
2019.04.07	BUY	16,000	-	-

Note: Calculation of target price gap based on past 6 months

Rating Distribution - SHIC Universe (as of 31 May 2019)

BUY (BUY)	96.7%	Trading BUY (HOLD)	0.94%	HOLD (HOLD)	2.36%	SELL (SELL)	0%
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Rating Distribution - SHIC Investment Banking Clients (as of 31 May 2019)

BUY (BUY)	90.48%	Trading BUY (HOLD)	4.76%	HOLD (HOLD)	4.76%	SELL (SELL)	0%
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SHIC Ratings (as of 1 April 2017)

Stock	Sector
<ul style="list-style-type: none"> ◆ BUY: Expected 6-month gain of 10% or more ◆ Trading BUY: Expected 6-month gain of 10% to loss of 10% ◆ HOLD: Expected 6-month loss of 10% to 20% ◆ SELL: Expected 6-month loss of 20% or more 	<ul style="list-style-type: none"> ◆ OVERWEIGHT: Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ NEUTRAL: Based on market cap, largest share of sector stocks under coverage is rated Trading BUY or HOLD ◆ UNDERWEIGHT: Based on market cap, largest share of sector stocks under coverage is rated SELL

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