

Douzone Bizon (012510 KS)

 Target price: **n.a.**

 Share price (23 Oct): **KRW30,850** | Up/downside: -

5 4 3 2 1

No Rating

Asia NDR highlights

- Douzone highlighted 3 new business-growth initiatives
- Targeting solid revenues from its core ERP solutions for 2017-19...
- ...and looking for profitability to improve gradually

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Background: Douzone Bizon (Douzone), a leading enterprise software company in Korea, met with investors in Hong Kong and Singapore from 16-20 October. During the NDR, the company said that it expects to retain a competitive edge in the domestic enterprise resource planning (ERP) segment, backed by a new high-end ERP product release, and it expects its new B2B platform strategy to pay off in the medium term.

Highlights: Core B2B solutions: solid all around. Mr. Yoon Jae-gu, chief operations and marketing officer at Douzone, said the company had been benefiting from a rise in the number of customers who have switched from competing solutions to its own advanced ERP products (iCube and ERPiU), due to their compelling prices and customisation features, as well as recent regulatory change related to accounting and tax. He underscored that these high-end ERP products have provided the company with upselling revenue opportunities for other solutions, such as groupware and security software. Douzone's revenue from iCube (standard ERP) and ERPiU (extended ERP) expanded by 15% YoY and 30% YoY in 1H17, while groupware sales jumped by 32% YoY.

Wehago and G-ERP: next-generation growth engines. Management shared its potential monetisation model for Wehago, its new open platform for B2B solutions, whereby Douzone will generate revenue from various proprietary revenue models (fintech, ads, marketplace, and software usage fees). Despite concerns over potential cannibalisation of its low-end ERP offering (Smart A), management expects the Wehago platform to contribute strong revenue growth by bringing in more corporate customers, boosting user traffic, and generating Big Data revenue. It plans to launch the Wehago platform in 2H18. Separately, it intends to launch a G-ERP solution (now in development) commercially in 2019, which will target large companies with multiple subsidiaries. The company targets strong revenue growth in 2019, on higher ASPs, a broader base of customers, increased customisation demand, and ultimately more end-users.

Business outlook for 2H17 beyond. Management remains confident of sustaining Douzone's revenue-growth rate of 13% YoY (2016-17), and believes new business-growth initiatives will provide revenue upside from 2019. The company forecasts its operating-profit margin to widen gradually on accelerating migration to its cloud services, the rollout of the high-priced G-ERP solution, and stabilising fixed costs and capex.

Valuation: Douzone is trading at PERs of 24.9x for 2017E and 20.4x for 2018E (Bloomberg consensus data). Management expects a dividend payout ratio of 30% for 2017.

Share price performance



12-month range	20,200.00-35,050.00
Market cap (USDbn)	0.81
3m avg daily turnover (USDm)	2.18

Source: FactSet, Daiwa forecasts

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Rating	Percentage of total
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