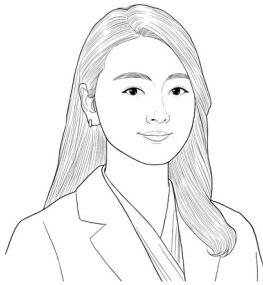


2017. 10. 20

Company Update



SunYoung Yoon

Analyst

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822 2020 7840

Huons (243070)

Raising target with Hutox catalyst nearing

- We expect Huons to post in-line 3Q sales and operating profit figures, driven by robust sales growth for prescription drugs and CMOs.
- The firm on Aug 31 signed MOUs in Spain, Brazil, and Russia to export its botulinum toxin (BTX) Hutox along with receiving domestic approval this week to start phase III clinical trials for the product.
- We raise our 12-month target price on Huons by 12.7% to reflect the rapidly growing value of its BTX business.

WHAT'S THE STORY?

3Q preview: We believe Huons saw its sales rise 16.7% y-y to KRW72.4b in 3Q as its operating profit and margin fell a respective 17.4% and 4.8% pts y-y to KRW8.5b, with all the figures to have met forecasts. The firm's pharmaceutical sales likely rose 19% y-y to KRW36.6b, led by cardiovascular and metabolic disease treatments, as its beauty/healthcare sales grew 5.8% y-y to KRW24.8b, as those for: 1) health supplements, such as vitamins and obesity treatment, came in flat q-q; and 2) botulinum toxin [BTX] and fillers exports outpaced the 1Q figures, despite likely slipping q-q. We believe its CMO sales rose 21% y-y to KRW9.5b, thanks to it starting to manufacture mono-dose eye drops for a Japanese pharmaceutical player. We expect the company's SG&A cost-to-sales ratio to have risen 5.8%pts y-y to 42.3%, with R&D investment hikes, new business expansion, and product launches thought to be driving up costs, which hit its operating profit.

Update on BTX business: Huons on Aug 31 signed MOUs with companies in Spain, Brazil, and Russia to export its proprietary BTX Hutox, which give six-month exclusivity periods for those partners to pursue due diligence on its BTX factory and clinical protocols before finalizing contracts in 1H18. The partner should conduct Phase III trials in 2019 in their respective regions, and once approved for marketing, Huons would commence supplies. The firm this week also received domestic approval to conduct Phase III trials on Hutox, with a launch at home expected in early 2019.

Raising target: Recent positives bestow the BTX exports of Huons with a major share-price catalyst, even as its conventional pharmaceutical business grows steadily. The aforementioned agreements should wrap through 2Q18, with additional MOUs likely, including in the US and China. We expect the firm's BTX production capacity to jump six-fold in 2H18, and to reflect the increasing value of the skyrocketing business, we raise our 12-month target price by 12.7% to KRW80,000—sums its conventional business and BTX exports at a respective KRW65,000 and KRW15,800—with implied P/E of 19x a 24% discount to the 25x average of its domestic aesthetic peers.

SUMMARY FINANCIAL DATA

| | 2016 | 2017E | 2018E | 2019E |
|--------------------------|-------|-------|--------|-------|
| Revenue (KRWb) | 169 | 282 | 309 | 342 |
| Net profit (adj) (KRWb) | 15 | 28 | 25 | 33 |
| EPS (adj) (KRW) | 2,498 | 4,681 | 4,171 | 5,309 |
| EPS (adj) growth (% y-y) | nm | 87.4 | (10.9) | 27.3 |
| EBITDA margin (%) | 15.2 | 13.6 | 12.9 | 13.7 |
| ROE (%) | 16.3 | 27.0 | 19.6 | 20.8 |
| P/E (adj) (x) | 26.7 | 14.3 | 16.0 | 12.6 |
| P/B (x) | 4.4 | 3.4 | 2.9 | 2.4 |
| EV/EBITDA (x) | 16.7 | 10.6 | 9.8 | 7.8 |
| Dividend yield (%) | 0.0 | 0.7 | 0.7 | 0.8 |

Source: Company data, Samsung Securities estimates

AT A GLANCE

SELL HOLD BUY

Target price **KRW80,000** (19.8%)

Current price **KRW66,800**

Market cap KRW413.49b/USD365.14m

Shares (float) 6,190,011 (55.8%)

52-week high/low KRW77,000/KRW47,750

Avg daily trading value (60-day) KRW4.8b/USD4.2m

ONE-YEAR PERFORMANCE

| | 1M | 6M | 12M |
|------------------|------|------|------|
| Huons (%) | -4.0 | 17.4 | 11.6 |
| Vs Kosdaq (%pts) | -3.0 | 11.9 | 10.6 |

KEY CHANGES

| (KRW) | New | Old | Diff |
|--------------|--------|--------|-------|
| Recommend. | BUY | BUY | |
| Target price | 80,000 | 71,000 | 12.7% |
| 2017E EPS | 4,681 | 4,480 | 4.5% |
| 2018E EPS | 4,171 | 4,349 | -4.1% |

SAMSUNG vs THE STREET

| | |
|-----------------|--------|
| No of estimates | 3 |
| Target price | 74,667 |
| Recommendation | 4.0 |

BUY★★: 5 / BUY: 4 / HOLD: 3 / SELL: 2 / SELL★★: 1

Valuation

| (KRW) | | Note |
|---|---------------|---|
| 2018 EPS | 4,171 | |
| Target P/E (x) | 15.6 | 20% premium to Korean small-cap pharma average |
| Per share value of main business (A) | 65,075 | |
| BTX export value | 98.0 | Europe, Brazil, and Russia only; 25% success rate |
| Per share value of BTX (B) | 15,825 | |
| Fair value per share (A X B) | 80,900 | |
| Target price | 80,000 | |
| Current price | 66,800 | As of Oct 19 close |
| Upside (%) | 19.8 | |

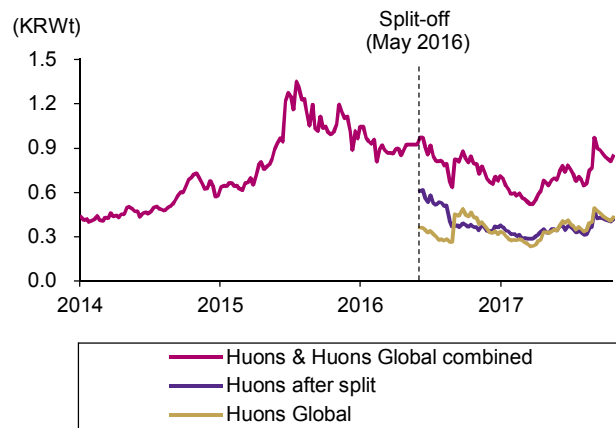
Source: Samsung Securities

Forward P/E band



Source: WiseFn, Samsung Securities estimates

Forward P/E



Source: WiseFn, Samsung Securities estimates

3Q preview

| (KRWb) | 3Q17E | | 3Q16 | 2Q17 | Chg / growth (%) | | |
|--------------------|---------|-----------|------|------|------------------|--------|--------|
| | Samsung | Consensus | | | Consensus | y-y | q-q |
| Sales | 72.4 | 69.7 | 62.0 | 70.9 | 3.8 | 16.7 | 2.1 |
| Operating profit | 8.5 | 8.7 | 10.3 | 9.5 | (1.8) | (17.4) | (10.1) |
| Pre-tax profit | 8.3 | 9.2 | 11.2 | 10.0 | (9.0) | (25.8) | (16.7) |
| Net profit | 6.5 | 7.2 | 8.6 | 7.9 | (9.2) | (24.4) | (18.2) |
| Margins (%) | | | | | | | |
| Operating profit | 11.7 | 12.4 | 16.6 | 13.3 | | | |
| Pre-tax profit | 11.5 | 13.1 | 18.1 | 14.1 | | | |
| Net profit | 9.0 | 10.3 | 13.9 | 11.2 | | | |

Source: Company data, WiseFn, Samsung Securities

Quarterly and annual results and forecasts

| (KRWb) | 1Q17 | 2Q17 | 3Q17E | 4Q17E | 1Q18E | 2Q18E | 3Q18E | 4Q18E | 2016 | 2017E | 2018E | 2019E |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Sales | 65.2 | 72.1 | 72.4 | 72.2 | 73.7 | 77.9 | 78.4 | 78.8 | 244.8 | 281.9 | 308.8 | 341.6 |
| Chg (% y-y) | 13.0 | 18.6 | 16.7 | 9.9 | 13.0 | 8.1 | 8.3 | 9.2 | 13.8 | 15.1 | 9.6 | 10.6 |
| Pharmaceuticals | 34.7 | 34.5 | 36.6 | 36.6 | 38.6 | 37.6 | 40.0 | 40.0 | 125.9 | 142.3 | 156.1 | 171.7 |
| Prescription | 28.8 | 29.3 | 31.0 | 31.1 | 32.2 | 32.2 | 34.1 | 34.2 | 104.4 | 120.1 | 132.6 | 146.6 |
| Local anesthetics | 4.4 | 3.7 | 3.8 | 4.1 | 4.8 | 4.0 | 4.1 | 4.4 | 14.3 | 16.0 | 17.2 | 18.5 |
| Eye drops (Alcon) | 1.5 | 1.5 | 1.8 | 1.4 | 1.5 | 1.5 | 1.8 | 1.4 | 7.2 | 6.3 | 6.3 | 6.7 |
| Beauty/Healthcare | 21.3 | 26.0 | 24.8 | 23.6 | 24.2 | 27.3 | 26.1 | 25.2 | 88.8 | 95.8 | 102.8 | 115.5 |
| Wellness products | 15.8 | 16.6 | 16.8 | 15.4 | 16.5 | 17.9 | 17.6 | 16.1 | 61.9 | 64.5 | 68.3 | 73.4 |
| Aesthetics | 5.6 | 9.4 | 7.9 | 8.3 | 7.6 | 9.3 | 8.5 | 9.1 | 26.9 | 31.2 | 34.5 | 42.1 |
| Botulinum toxin | 2.8 | 4.4 | 3.8 | 3.7 | 3.8 | 4.0 | 4.0 | 4.1 | 2.3 | 14.6 | 15.9 | 21.3 |
| Dermal fillers | 2.0 | 3.2 | 2.9 | 3.2 | 2.4 | 3.3 | 3.1 | 3.5 | 11.3 | 11.3 | 12.3 | 13.5 |
| CMO | 8.2 | 10.2 | 9.5 | 10.2 | 9.2 | 10.8 | 10.1 | 10.8 | 30.1 | 38.1 | 40.9 | 43.2 |
| Eye drops | 4.0 | 4.6 | 3.6 | 4.3 | 4.4 | 5.1 | 3.8 | 4.7 | 7.6 | 16.5 | 18.0 | 19.5 |
| Other | 4.2 | 5.6 | 6.0 | 5.8 | 4.8 | 5.7 | 6.3 | 6.1 | 22.5 | 21.6 | 22.9 | 23.7 |
| Other | 1.0 | 1.4 | 1.5 | 1.8 | 1.7 | 2.2 | 2.2 | 2.8 | 0.0 | 5.7 | 8.9 | 11.2 |
| Gross profit | 35.8 | 38.4 | 39.1 | 39.0 | 40.0 | 42.7 | 42.2 | 43.1 | | 152.3 | 168.0 | 188.1 |
| Chg (% y-y) | n/a | n/a | 18.7 | 15.3 | 11.7 | 11.2 | 7.9 | 10.5 | | n/a | 10.3 | 12.0 |
| Gross margin (%) | 54.9 | 53.2 | 54.0 | 54.1 | 54.3 | 54.8 | 53.8 | 54.7 | | 54.0 | 54.4 | 55.1 |
| Operating profit | 7.1 | 8.7 | 8.5 | 7.2 | 7.5 | 8.8 | 8.4 | 8.2 | 37.0 | 31.6 | 32.9 | 40.1 |
| Chg (% y-y) | n/a | n/a | (17.4) | 5.3 | 5.0 | 0.7 | (1.3) | 13.6 | 7.9 | (14.6) | 4.1 | 21.9 |
| Operating margin (%) | 11.0 | 12.1 | 11.7 | 10.0 | 10.2 | 11.3 | 10.7 | 10.4 | 15.1 | 11.2 | 10.7 | 11.7 |

Note: Based on consolidated K-IFRS (2016 figures based on pre-split, parent K-IFRS)

Source: Company data, Samsung Securities estimates

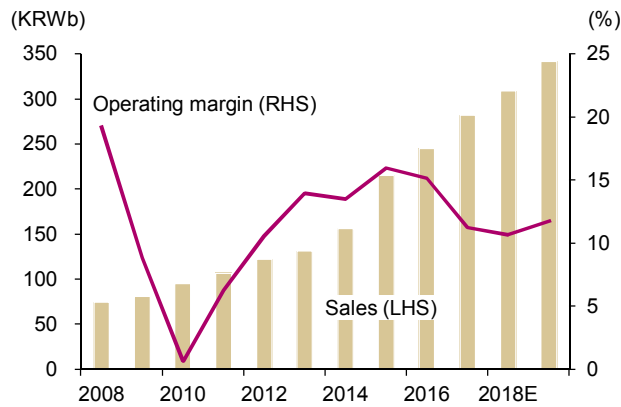
BTX business valuation (Europe, Brazil, and Russia only)

| (KRWb) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|------------------------------|---------------|------|--------|------|------|--------|------|------|------|------|------|------|------|------|------|
| Schedule | | L/O | Ph III | | BLA | Launch | | | | | | | | | |
| Europe | | | | | | 8.0 | 15.0 | 45.0 | 50.0 | 50.0 | 48.5 | 46.1 | 43.8 | 41.6 | 39.5 |
| Brazil | | | | | | 5.0 | 10.0 | 25.0 | 25.0 | 30.0 | 29.1 | 27.6 | 26.3 | 24.9 | 23.7 |
| Russia | | | | | | 3.0 | 8.0 | 20.0 | 20.0 | 24.0 | 23.3 | 22.1 | 21.0 | 20.0 | 19.0 |
| Upfront and milestones | 0.0 | 1.0 | 0.0 | 3.0 | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT* | 0.0 | 0.5 | 0.0 | 1.5 | 1.5 | 8.0 | 16.5 | 45.0 | 47.5 | 52.0 | 50.4 | 47.9 | 45.5 | 43.2 | 41.1 |
| PV of FCF | 0.0 | 0.9 | 0.0 | 2.2 | 2.0 | 4.7 | 8.8 | 21.7 | 20.6 | 20.3 | 17.8 | 15.2 | 13.0 | 11.1 | 9.5 |
| NPV | 147.9 | | | | | | | | | | | | | | |
| Terminal value | 243.9 | | | | | | | | | | | | | | |
| NPV+TMV | 391.8 | | | | | | | | | | | | | | |
| Fair value** | 98.0 | | | | | | | | | | | | | | |
| No of share ('000) | 6,190.0 | | | | | | | | | | | | | | |
| Per share value (KRW) | 15,825 | | | | | | | | | | | | | | |

Note: WACC of 11% and terminal growth rate of -5%; * 50% shared with Huons Global; ** assumes 25% probability of MOU receiving BLA approval

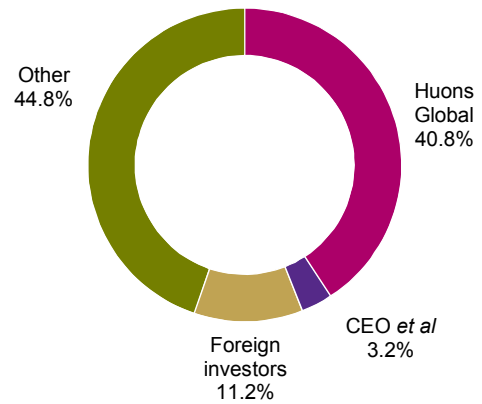
Source: Samsung Securities estimates

Annual sales and operating margin



Source: Company data, Samsung Securities estimates

Shareholder breakdown



Source: Company data, Samsung Securities

Peer valuations

| | Market cap (KRWb) | P/E (x) | | EPS growth (% y-y) | | ROE (%) | | Dividend yield (%) | | Operating margin (%) | |
|---------------------------|----------------------|-------------|-------------|--------------------|-------------|-------------|-------------|--------------------|------------|----------------------|-------------|
| | | 2017E | 2018E | 2017E | 2018E | 2017E | 2018E | 2017E | 2018E | 2017E | 2018E |
| Dongkook Pharm | 517.5 | 12.8 | 11.7 | (0.5) | 9.6 | 15.8 | 15.1 | 0.7 | 1.0 | 13.0 | 12.9 |
| Samjin Pharm | 459.4 | 13.0 | 12.0 | 17.4 | 8.0 | 19.6 | 18.5 | 2.2 | 2.4 | 18.4 | 18.7 |
| Ildong Pharm | 389.6 | 19.2 | 13.9 | n/a | 38.5 | 7.4 | 9.6 | 2.3 | 2.4 | 5.4 | 7.0 |
| Boryung Pharm | 363.3 | 20.6 | 13.7 | 215.0 | 50.0 | 22.4 | 16.6 | 0.5 | 0.5 | 4.4 | 6.5 |
| Whanin Pharm | 425.0 | 15.7 | 14.8 | 65.2 | 5.9 | 11.7 | 11.2 | 1.1 | 1.1 | 21.8 | 21.3 |
| Daewon Pharm | 334.9 | 21.1 | 11.7 | (19.6) | 80.8 | 9.5 | 15.7 | 1.5 | 1.8 | 11.7 | 12.8 |
| Korea United Pharm | 397.1 | 16.3 | 14.5 | 24.8 | 12.7 | 13.0 | 13.2 | 1.1 | 1.1 | 15.5 | 15.8 |
| ST Pharm | 651.1 | 11.3 | 12.1 | (17.5) | (6.4) | 16.5 | 13.2 | 1.4 | 1.5 | 35.3 | 35.0 |
| Small-cap pharma | | 16.0 | 13.2 | 40.7 | 21.7 | 15.8 | 14.8 | 1.2 | 1.3 | 15.2 | 15.7 |
| Medytox | 2,476.4 | 31.5 | 25.6 | 32.7 | 23.3 | 43.9 | 38.6 | 0.5 | 0.5 | 54.5 | 55.4 |
| Hugel | 2,035.6 | 23.1 | 21.8 | 32.5 | 5.8 | 16.9 | 13.0 | 0.3 | 0.4 | 58.3 | 58.8 |
| Daewoong Pharm | 1,442.5 | 36.3 | 29.2 | 51.9 | 24.4 | 7.4 | 8.6 | 0.5 | 0.5 | 5.6 | 6.5 |
| Humedx | 280.9 | 30.2 | 23.8 | (11.2) | 26.8 | 8.0 | 9.6 | 1.6 | 1.6 | 20.5 | 23.8 |
| Medical aesthetics | | 30.3 | 25.1 | 26.5 | 20.1 | 19.0 | 17.4 | 0.7 | 0.8 | 34.7 | 36.1 |

Note: Based on consensus

Source: WiseFn, Samsung Securities

Income statement

| Year-end Dec 31(KRWb) | 2016 | 2017E | 2018E | 2019E |
|--|------------|------------|------------|------------|
| Sales | 169 | 282 | 309 | 342 |
| Cost of goods sold | 80 | 130 | 141 | 153 |
| Gross profit | 89 | 152 | 168 | 188 |
| Gross margin (%) | 52.8 | 54.0 | 54.4 | 55.1 |
| SG&A expenses | 68 | 121 | 135 | 148 |
| Operating profit | 22 | 32 | 33 | 40 |
| Operating margin (%) | 12.7 | 11.2 | 10.7 | 11.7 |
| Non-operating gains (losses) | (2) | 5 | 0 | 3 |
| Financial profit | 0 | 1 | 0 | 1 |
| Financial costs | 1 | 1 | 1 | 1 |
| Equity-method gains (losses) | (0) | (1) | 1 | 4 |
| Other | (1) | 6 | 0 | 0 |
| Pre-tax profit | 20 | 37 | 33 | 43 |
| Taxes | 5 | 9 | 8 | 10 |
| Effective tax rate (%) | 25.4 | 24.0 | 24.0 | 24.0 |
| Profit from continuing operations | 15 | 28 | 25 | 33 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 |
| Net profit | 15 | 28 | 25 | 33 |
| Net margin (%) | 8.8 | 9.9 | 8.2 | 9.6 |
| Net profit (controlling interests) | 15 | 29 | 26 | 33 |
| Net profit (non-controlling interests) | (1) | (1) | (1) | 0 |
| EBITDA | 26 | 38 | 40 | 47 |
| EBITDA margin (%) | 15.2 | 13.6 | 12.9 | 13.7 |
| EPS (parent-based) (KRW) | 2,498 | 4,681 | 4,171 | 5,309 |
| EPS (consolidated) (KRW) | 2,413 | 4,489 | 4,075 | 5,309 |
| Adjusted EPS (KRW)* | 2,498 | 4,681 | 4,171 | 5,309 |

Cash flow statement

| Year-end Dec 31(KRWb) | 2016 | 2017E | 2018E | 2019E |
|--|-------------|------------|------------|------------|
| Cash flow from operations | 29 | 31 | 26 | 29 |
| Net profit | 15 | 28 | 25 | 33 |
| Non-cash profit and expenses | 12 | 17 | 14 | 14 |
| Depreciation | 4 | 7 | 7 | 7 |
| Amortization | 0 | 0 | 0 | 0 |
| Other | 7 | 11 | 8 | 7 |
| Changes in A/L from operating activities | 3 | (5) | (5) | (7) |
| Cash flow from investments | (17) | (6) | (7) | (8) |
| Change in tangible assets | (5) | (6) | (6) | (7) |
| Change in financial assets | (8) | (1) | (1) | (1) |
| Other | (4) | 1 | 0 | (0) |
| Cash flow from financing | 2 | (3) | (3) | (3) |
| Change in debt | 36 | (1) | 0 | 0 |
| Change in equity | 78 | 0 | 0 | 0 |
| Dividends | 0 | 0 | (3) | (3) |
| Other | (111) | (2) | 0 | 0 |
| Change in cash | 14 | 21 | 16 | 21 |
| Cash at beginning of year | 2 | 16 | 36 | 53 |
| Cash at end of year | 16 | 36 | 53 | 73 |
| Gross cash flow | 26 | 45 | 40 | 47 |
| Free cash flow | 23 | 25 | 20 | 22 |

Note: 2016 figures include May-December data only

* Excluding one off items, ** Fully diluted, excluding one-off items

*** From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Balance sheet

| Year-end Dec 31(KRWb) | 2016 | 2017E | 2018E | 2019E |
|--|------------|------------|------------|------------|
| Current assets | 121 | 152 | 179 | 214 |
| Cash & equivalents | 16 | 37 | 53 | 73 |
| Accounts receivable | 64 | 70 | 77 | 86 |
| Inventories | 30 | 33 | 36 | 41 |
| Other current assets | 10 | 12 | 13 | 14 |
| Fixed assets | 59 | 57 | 58 | 58 |
| Investment assets | 7 | 8 | 8 | 9 |
| Tangible assets | 45 | 45 | 44 | 44 |
| Intangible assets | 3 | 2 | 2 | 2 |
| Other long-term assets | 4 | 3 | 3 | 3 |
| Total assets | 179 | 209 | 236 | 273 |
| Current liabilities | 82 | 75 | 79 | 86 |
| Accounts payable | 20 | 22 | 24 | 27 |
| Short-term debt | 32 | 22 | 22 | 22 |
| Other current liabilities | 30 | 30 | 33 | 37 |
| Long-term liabilities | 1 | 13 | 13 | 13 |
| Bonds & long-term debt | 0 | 10 | 10 | 10 |
| Other long-term liabilities | 1 | 3 | 3 | 3 |
| Total liabilities | 84 | 88 | 93 | 100 |
| Owners of parent equity | 94 | 121 | 143 | 173 |
| Capital stock | 3 | 3 | 3 | 3 |
| Capital surplus | 75 | 75 | 75 | 75 |
| Retained earnings | 16 | 44 | 67 | 97 |
| Other | 1 | (2) | (2) | (2) |
| Non-controlling interests' equity | 2 | 1 | 0 | 0 |
| Total equity | 96 | 121 | 143 | 173 |
| Net debt | 13 | (9) | (26) | (47) |

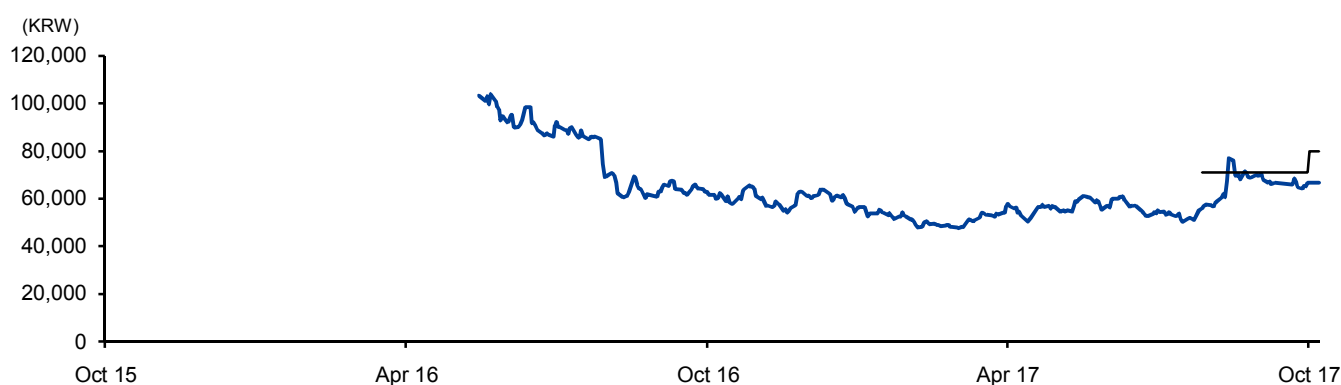
Financial ratios

| Year-end Dec 31 | 2016 | 2017E | 2018E | 2019E |
|-----------------------------|--------|--------|--------|--------|
| Growth (%) | | | | |
| Sales | nm | 66.8 | 9.6 | 10.6 |
| Operating profit | nm | 46.8 | 4.1 | 21.9 |
| Net profit | nm | 87.6 | (9.2) | 30.3 |
| Adjusted EPS** | nm | 87.4 | (10.9) | 27.3 |
| Per-share data (KRW) | | | | |
| EPS (parent-based) | 2,498 | 4,681 | 4,171 | 5,309 |
| EPS (consolidated) | 2,413 | 4,489 | 4,075 | 5,309 |
| Adjusted EPS** | 2,498 | 4,681 | 4,171 | 5,309 |
| BVPS | 15,177 | 19,510 | 23,186 | 28,001 |
| DPS (common) | 0 | 500 | 500 | 550 |
| Valuations (x) | | | | |
| P/E*** | 26.7 | 14.3 | 16.0 | 12.6 |
| P/B*** | 4.4 | 3.4 | 2.9 | 2.4 |
| EV/EBITDA | 16.7 | 10.6 | 9.8 | 7.8 |
| Ratios (%) | | | | |
| ROE | 16.3 | 27.0 | 19.6 | 20.8 |
| ROA | 8.3 | 14.3 | 11.3 | 12.9 |
| ROIC | 15.1 | 22.2 | 22.3 | 25.6 |
| Payout ratio | 0.0 | 10.7 | 12.0 | 10.3 |
| Dividend yield (common) | 0.0 | 0.7 | 0.7 | 0.8 |
| Net debt to equity | 13.5 | (7.3) | (18.0) | (27.4) |
| Interest coverage (x) | 36.5 | 30.5 | 34.1 | 41.6 |

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- As of Oct 19, 2017, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of Oct 19, 2017, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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Target price changes in past two years



Rating changes over past two years (adjusted share prices)

| Date | 2017/8/16 | 10/20 |
|--------------------|-----------|--------|
| Recommendation | BUY | BUY |
| Target price (KRW) | 71,000 | 80,000 |

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
 ** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings.

Company

| | |
|-------------|--|
| BUY | Expected to increase in value by 10% or more within 12 months and is highly attractive within sector |
| HOLD | Expected to increase/decrease in value by less than 10% within 12 months |
| SELL | Expected to decrease in value by 10% or more within 12 months |

Industry

| | |
|--------------------|---|
| OVERWEIGHT | Expected to outperform market by 5% or more within 12 months |
| NEUTRAL | Expected to outperform/underperform market by less than 5% within 12 months |
| UNDERWEIGHT | Expected to underperform market by 5% or more within 12 months |

Percentage of ratings in 12 months prior to Sep 30, 2017

BUY (82.2%) | HOLD (17.8%) | SELL (0%)

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