LEADING

Mid-Cap Research

Bioland (052260 KQ)

April 23, 2012

Buy - Oh- Land

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Leading Traffic Light: Green

Bioland is…

- ✓ Manufacturer raw materials for cosmetics, health food etc
- ✓ Domestically monopolistic position with 49% MS in functional cosmetic raw material market

Green light because:

- ✓ The highest economic value added company in the cosmetic industry
- ✓ The biggest beneficiary of the cosmetic raw material localization

Growth potential:

- ➢ New client and products added in 2012F to create new demand
- ➢ Capacity expansion expected to increase revenue by 33.7% yoy in 2012F

Management & Shareholder concern:

- ➢ CEO is a pioneer of cosmetic raw materials localization
- ➢ 16%~34% dividend yield during the past 10 years

Earning Outlook:

- ➢ The Highest OPM in the cosmetic value chain
  - Bioland 2011 OPM : 23.5%
  - Cosmetic Ind. 2011 avg. OPM: 12.1%
- ➢ High ROIC of 15~24% expected in 2012E~2014F

Valuation:

- ➢ Derived a fair price valuation of W16,000 per share by applying 25% discount to the 2012F cosmetic industry PER of 22.1x
- ➢ 52.3% share price appreciation potential

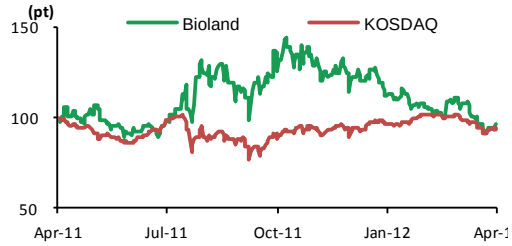
BUY

Target Price (KRW)	**16,000**
Current Price (KRW)	**10,500**
Upside Potential	**52.3%**

Key Data	**April 20th , 2012**
Sector	Pharma. & Bio
KOSDAQ	497.55
Market Cap. (Wbn)	157.5
Shares Outstanding	15.0mn
Foreign Ownership (%)	3.9
52wk High (W)	15,700
Low (W)	9,720
60D Turnover (Wbn)	1.8
Major Shareholders	**(%)**
CEO, Chanbok Jung	37.6
SKC	9.8

Performance (%)	**1M**	**6M**	**12M**
Absolute	(11.0)	(23.4)	(1.9)
Relative	(1.9)	(26.8)	4.2

Relative Performance



CAVEAT EMPTOR!!! – Watch out for…

- ➢ Low return on investment in medical related division, but …
  - ✓ Focus on securing customers with customer oriented products
  - ✓ Expecting to generate the meaningful revenue from 2014F
  - ✓ Possibility of successful development of Cosmeceutical, a product that integrates/combines/grafts medical technology with/onto cosmetics

Valuation Forecast

FY	Sales (Wbn)	% chg yoy	OP (Wbn)	OPM (%)	NP (Wbn)	EPS (W)	EPS Growth (%)	PER (x)	EV/EBITDA (x)	ROE (%)	P/B (x)
2009	50.9	38.7	11.1	21.7	11.0	1,465	71.7	7.2	5.8	19.4	1.3
2010	62.5	22.6	15.1	24.1	12.6	838	(42.8)	12.5	8.9	18.8	1.6
2011	68.0	8.8	16.0	23.5	13.7	915	9.2	11.5	8.2	16.6	1.7
2012E	90.9	33.7	19.5	21.4	14.6	975	6.6	10.8	6.0	14.7	1.5
2013F	114.8	26.2	24.7	21.5	19.7	1,311	34.4	8.0	4.9	17.2	1.3
2014F	145.2	26.5	32.4	22.3	26.6	1,776	35.5	5.9	3.9	19.7	1.1

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Key Check Points

✓ Bioland – a manufacturer of cosmetic raw materials for natural ingredients

Bioland manufactures functional raw materials for cosmetics (53% of total sales) from natural products ingredient utilizing diverse processes, such as fermentation. While there are approximately 250 domestic cosmetics raw materials manufacturers, Bioland is the only company with unique technologies and large-scale production facilities. As such, Bioland has secured a dominate position in the functional raw materials market, with a 49% market share. Currently, 50% of cosmetic raw materials are sold to the leading cosmestics producer Amorepacific. The remaining half is sold to approximately 270 other cosmetics producers. Hence, Bioland is a supplier to the Korean cosmetics industry.

We believe raw materials for health foods (30% of total sales) will emerge as a new growth engine. Utilizing patented technologies from the cosmetics division, Bioland manufactures Oriental raisin tree extract and ginseng extract via natural processes. After signing an exclusive vendor contract with a major buyer, Bioland has diversified its customer base. As such, we forecast steady supply growth going forward. Of note, growth at the health foods unit has surged 80% over two years since 2009.

✓ To grow with cosmetics market as a major component of the cosmetics value chain

As Bioland supplies to most of the domestic cosmetics companies, its sales have grown in line with the overall cosmetics market increasing at a CAGR of 20.4% since 2005. In addition to the domestic market growth, Korean cosmetics companies are expanding into other Asian markets backed by *the Korean Wave*. And, we believe this will contribute to growth momentum going forward. Amorepacific, which is Bioland's biggest captive buyer (15% of total raw material sales), posted 35% YoY sales growth in China. As Amorepacific released its high-end Sulhwasoo line in China last year, we believe growth will accelerate going forward. Accordingly, we believe growth at Bioland will accelerate on higher downstream sales. To prepare for the increased supplies, Bioloand invested W30bn in 2011, part of its larger W100bn Osong plant expansion. With the increased capacity, we forecast 2012 sales will grow 33.7% YoY, 2013 26.2% YoY and 2014 26.5% YoY (Page 7).

✓ Most value added in cosmetics value chain

Cosmetics value chain (rank order of profitability) is in the order of
Cosmetics raw material manufacturer > B2C cosmetics manufacturer > B2B cosmetics manufacturer (OEM/ODM)
With cosmetics manufacturers importing 78% of raw materials, Bioland has secured a monopolistic position as the only domestic company to produce functional raw materials. In fact, Bioland is the only domestic company with the necessary technologies to manufacture customized products for its clients. As such, Bioland posts the highest operating margins among domestic cosmetics players and exports raw materials to 23 international cosmetics makers, including L'Oreal, P&G, Shiseido and Christian Dior (Page 8).

✓ Biggest beneficiary of efforts to localize cosmetics raw material procurements

Given the difficulties involved in substituting raw materials, we believe Bioland will continually generate stable sales from captive buyers. As for the new domestic cosmetics, Bioland is benefitting from increasing demand as products are competitive in terms of quality and price compared to imports. Furthermore, the localization of raw materials sourcing is accelerating as foreign players are not positioned to meet the growing demand for new products, such as oriental herbal- and stem cell-related materials. As such, we forecast Bioland will be the largest beneficiary of localization as it is already the leader in functional raw materials and manufactures Portulaca oleracea extract (liver function enhancer), Hyarulonic Acid (sensitive skin relaxer) and oriental herbal materials etc. (Page 6).

Of note, cosmetics made from oriental herbal-related raw materials already comprise 25% of the total cosmetics market. As such, demand for oriental herbal-derived cosmetics should be favorable going forward. In fact, Bioland already supplies oriental herbal raw materials for Amorepacific's Sulhwasu brand, the leading oriental herbal cosmetics line. In 2011, Sulwhasu sales reached W770bn, up 13% YoY, at seven branches in China. And, sales visibility is solid in China given the improving brand awareness (Page 7).

✓ Target price of W16,000 per share implies an upside potential of 52.3%.

Currently, the domestic cosmetics sector trades at an average 22.1x 2012 PER given the solid local market growth and additional momentum from overseas penetration. As Bioland posts the highest margins in the cosmetics value chain, we believe Bioland warrants the sector average PER. But given the sales dependence on downstream players, we applied a 25% discount (PER of 16.5x) to derive a fair value of W16,000 (Page 4).

Section 1: Valuation

Target price W16,000/shrs

1. **Bioland sustains highest operating margin in cosmetics value chain**
   - Cosmetics value chain (rank order of operating margins) cosmetics raw material manufacturer > B2C cosmetics manufacturer > B2B cosmetics manufacturer (OEM/ODM)
   - Bioland sustain operating margin of 20% level as cosmetics raw material maker

2. **Bioland traded at a 30-45% discount to the cosmetics sector over the past 3 years (Exhibit 2)**

   - Raw material market did not track growth of overall cosmetics market due to high dependence on imports

3. **Rate of valuation discount steadily fading (Exhibit 1)**
   - Raw materials market growth to outpace cosmetics products on accelerating raw material localization, backed by rising technological competitiveness of domestic players, and exclusive local production of new products
   -

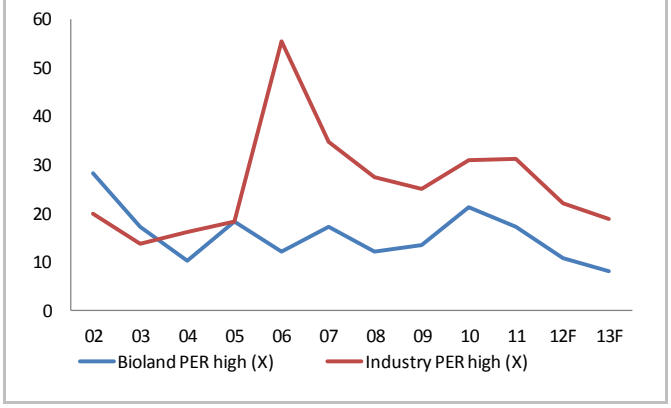
4. **Apply 25% discount to 2012F average cosmetics PER**
   - Given narrowing discount and benefits of localization efforts by downstream buyers, apply a 25% discount to cosmetics sector average
   - Based valuation on 2012 PER of 16.5x based on 25% discount to consensus cosmetics sector PER of 22.1x
   - Fair value: 2012F EPS W975 X PER 16.5x = W16,000

Exhibit 1. Bioland Valuation vs. Market Valuation

(X, %)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F	2013F
Company PER high (X)	28.2	17.2	10.1	18.3	12.1	17.2	12.1	13.4	21.3	17.2	10.9	8.1
Industry PER high (X)	19.9	13.8	16.1	18.2	55.6	34.8	27.5	25.1	30.9	31.3	22.1	18.7
Premium/(Discount) to market (%)	41.9	24.9	(37.3)	0.9	(78.2)	(50.4)	(56.2)	(46.7)	(31.3)	(45.2)	(50.9)	(56.8)

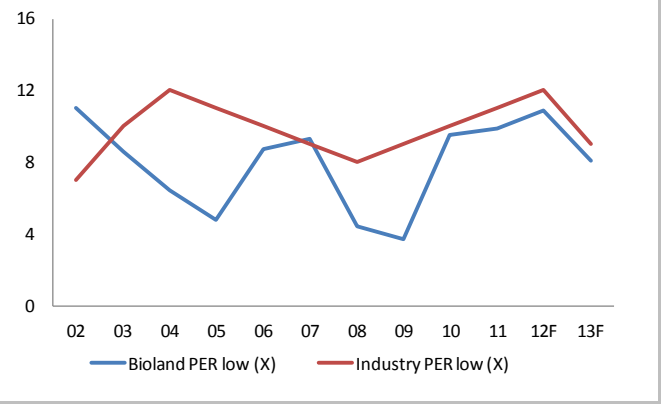
Source: Company data, Leading Research Center
**Market = KOSPI + KOSDAQ,*

Exhibit 2. year-high PER (X)



Source: Fnguide, Leading Research Center

Exhibit 3. year-low PER (X)



Source: Fnguide, Leading Research Center

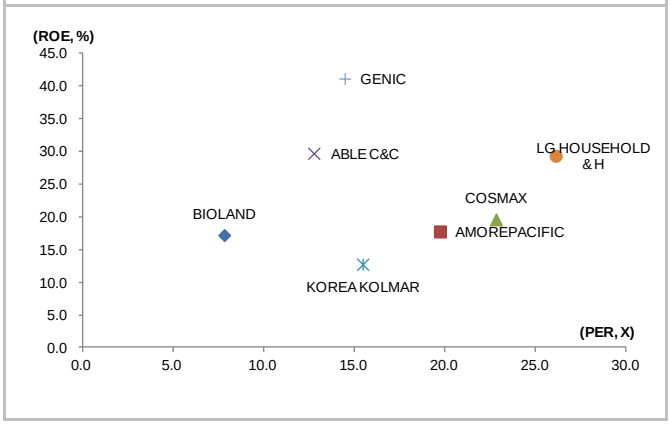
Exhibit 4. Peer Comparison

Company	Code	Country	Mkt Cap (US$ mn)	Revenue (US$ mn)				OPM (%)			
				10	11	12E	13E	10	11	12E	13E
BIOLAND	052260 KS	Kor	134.2	71.2	77.5	103.6	130.8	24.1	23.5	21.4	21.5
AMOREPACIFIC	090430 KS	Kor	5,587.0	1,781.1	2,072.1	2,050.8	2,225.2	16.5	16.1	16.2	16.3
COSMAX	044820 KS	Kor	207.4	134.6	159.8	155.6	175.0	5.9	4.9	5.1	5.6
ABLE C&C	078520 KS	Kor	450.3	1,809.1	276.1	271.6	339.5	10.2	10.9	10.6	11.9
KOREA KOLMAR	024720 KS	Kor	220.2	155.9	225.9	235.6	271.2	7.2	6.1	7.2	6.1
LG H&H	051900 KQ	Kor	7,809.1	1,512.1	1,803.0	1,854.7	3,546.5	12.0	12.1	11.6	12.0
GENIC	123330 KQ	Kor	185.2	70.9	95.1	93.4	117.7	14.9	12.9	43.8	14.0

Company	PER (X)				EV/EBITDA (X)				P/B (X)				ROE (%)			
	10	11	12E	13E	10	11	12E	13E	10	11	12E	13E	10	11	12E	13E
BIOLAND	12.2	11.2	10.5	7.8	8.6	7.9	5.9	4.8	1.6	1.6	1.4	1.2	18.8	16.6	14.7	17.2
AMOREPACIFIC	23.9	22.8	21.6	19.7	15.4	13.4	13.2	11.7	4.3	2.9	3.6	3.1	18.6	17.1	18.6	17.8
COSMAX	18.1	32.4	22.8	19.6	16.9	22.6	25.3	19.4	3.4	3.7	4.2	3.5	19.1	13.5	19.6	25.4
ABLE C&C	8.1	9.8	17.5	12.7	5.5	4.9	11.9	7.8	2.7	2.4	4.5	3.3	38.4	27.9	27.5	29.7
KOREA KOLMAR	11.4	18.7	12.9	15.4	7.9	11.2	11.8	12.1	1.4	1.9	2.1	2.0	16.3	13.8	16.6	12.7
LG H & H	43.9	43.0	31.2	26.1	24.6	26.8	28.8	15.5	8.8	9.1	8.6	7.8	17.6	25.6	35.3	29.3
GENIC	N/A	14.2	17.2	14.5	N/A	11.1	2.0	9.0	N/A	4.1	7.8	5.0	50.2	35.3	39.4	41.1

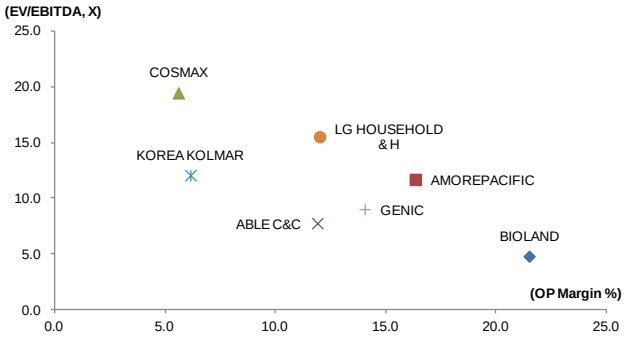
Source: Company data, Bloomberg, Leading Research Center (as of April 16, 2012)

Exhibit 5. Peer PER vs. ROE



Source: Bloomberg, Leading Research Center (as of April 16, 2012)

Exhibit 6. Peer EV/EBITDA vs. OPM



Source: Bloomberg, Leading Research Center (as of April 16, 2012)

Section 2: Company Snapshot & Operation

Bioland?

Cosmetic part + Heath food part = 80% of total sales

Bioland produce over 400 kinds of raw materials for cosmetics, health foods and medicines which extracts from natural products. Of the various raw items, Hyarulonic Acid (Moisturizing), Arbutin (Whitening), Portulaca oleracea extract (Calming), Oriental raisin tree extract (improvement of liver function) are the representative products.

Exhibit 7. Product line

Division	% of total sales	Product	Method	Clients
Cosmetics	57%	Portulaca oleracea extract Arbutin Hyarulonic Acid	Extracts from natural products Organosynthetic chem Microbe synthesizing	**(Domestic)** Amore pacific, LGHH, Cosmax, Korea Kolmar, Kosmeca Korea and other 270 companies **(Export)** L'Oreal, P&G, Shiseido and other 20 companies
Heath foods	30%	Red ginseng extract Chitooligosaccharide Glucosamine powder	Natural substance Bioconversion Fermentation	**(Domestic)** over 90 companies
Medicine	6%	Artemisia asiatica	Extract/ Tickening from crude drugs	**(Domestic)** Dong A Pharm., Green Cross, Hanmi Pharm. etc.
Medical equipment	7%	Wound dressing Collagen Test kit for hepatitis	Tissue culture	

Source: Company data, Leading Research Center

Total capacity of W160bn with 4 plants

W100bn capacity is added in 2012

Including the new plants in Osong area, the total capacity of the company is W160bn. Vietnam plant will start producing test kid, which are originally made at Ochang area in Korea from end of 2012.

Exhibit 8. Capacity

Plant	Products	Capacity (Wbn)
Cheon-an	Raw materials for cosmetics	15
An-san	Raw materials for health food	30
Ochang	Raw materials for cosmetics / Medical equipment	15
Osong	Raw materials for cosmetics / Raw materials for medicine	100
Vietnam	Medical equipment (Test kit)	Expecting production in end of 2012
China	R&D and market research	-

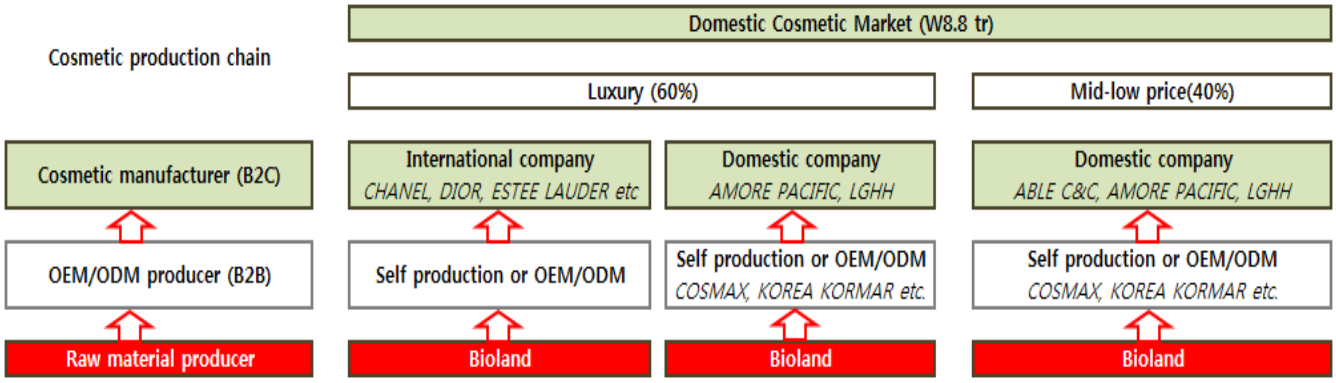
Source: Company data, Leading Research Center

Having 49% MS in functional raw materials for cosmetics

Biggest supplier to most of the domestic cosmetics makers

Bioland has 49% market share in the functional raw materials market. While there are approximately 250 domestic cosmetics raw materials manufacturers, Bioland is the only company with unique technologies and large-scale production facilities. As such, currently, 50% of domestic raw materials are sold to cosmetics leader, Amorepacific. The remaining half of sales are comprised of approximately 270 companies. In fact, Bioland supplies to almost every cosmetics company.

Exhibit 9. Cosmetic Value Chain



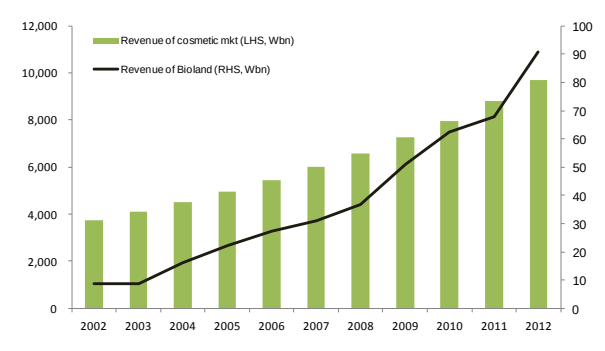
Source: Leading Research Center

Strong demand of oriental herbal secures the strong revenue growth of Bioland

Biggest beneficiary to localize cosmetics raw material

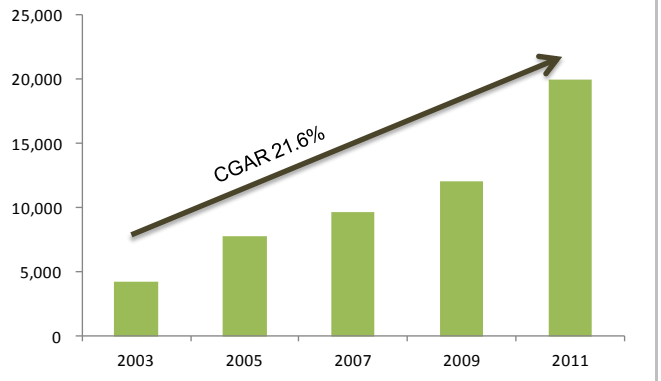
As Bioland supplies to most of the domestic cosmetics makers, sales have grown in line with the overall cosmetics market since 2005, increasing at a CAGR of 20.4%. In addition to the domestic market growth, Korean cosmetics companies are expanding into other Asian markets backed by the *Hallryu* wave. And, we believe this will contribute to growth momentum going forward. Amorepacific, which is Bioland's biggest captive buyer (15% of total raw material sales), posted 35% YoY sales growth in China. And considering Amorepacific released its high-end *Sulhwasoo* line in China last year, we believe growth will accelerate going forward. Accordingly, we believe growth at Bioland will accelerate on higher downstream sales. To prepare for the increased supplies, Bioloand invested W30bn in 2011, part of its larger W100bn Osong plant expansion. With the increased capacity, we forecast 2012 sales will grow 33.7% YoY, 2013 26.2% YoY and 2014 26.5% YoY.

Exhibit 10. Growth of Bioland and Cosmetic market



Source: KCA, Leading Research Center

Exhibit 11. Growth of traditional herb cosmetics



Source: Company data, Leading Research Center

Strong demand of oriental herbal secures the strong revenue growth of Bioland

50% of cosmetic division revenue is generated from AP

Given the difficulties substituting raw materials, we believe Bioland will generate stable sales from captive buyers. As for new cosmetics, Bioland is benefitting from increasing demand as products are competitive in terms of quality and price compared to imports. Furthermore, the localization of raw materials sourcing is accelerating as foreign players are not positioned to meet the growing demand for new products, such as oriental herbal- and stem cell-related materials. As such, we forecast Bioland will be the largest beneficiary of localization as it is already the leader in functional raw materials and manufactures Portulaca oleracea extract, Hyarulonic Acid and oriental herbal materials etc.

Cosmetics made from oriental herbal-related raw materials already comprise 25% of the total cosmetics market. As such, demand for oriental herbal-derived cosmetics should be favorable going forward. In fact, Bioland already supplies oriental herbal raw materials for Amorepacific's Sulhwasu brand, the leading oriental herbal cosmetics line. In 2011, Sulwhasu sales reached W770bn, up 13% YoY, at seven branches in China. And, sales visibility is solid in China given the improving brand awareness.

Exhibit 12. Cosmetic raw material market

(Wbn)	2006	2007	2008	2009	2010	2011	2012F
Raw material for Cosmetics	**436.2**	**479.8**	**527.2**	**579.9**	**637.8**	**704.0**	**776.0**
Functional raw material	87.2	95.9	105.4	115.9	127.5	140.8	155.2
Surfactant, alcohol, oil etc	349.0	383.9	421.8	464.0	510.3	563.2	620.8

Source: Company data, Leading Research Center

20% level OPM

Highest profitability in cosmetics value chain

Bioland have the highest OPM in cosmetics value chain because Bioland has secured a monopolistic position as the only domestic company to produce functional raw materials. In fact, Bioland is the only domestic company with the necessary technologies to manufacture customized products for its clients. As such, Bioland posts the highest operating margins among domestic cosmetics players, and exports raw materials to 23 cosmetics makers, including L'Oreal, P&G, Shiseido and Christian Dior.

Exhibit 13. OPM Comparison of cosmetic companies

(%)	06	07	08	09	10	11
Bioland	18.5	19.0	21.0	21.7	24.6	23.5
Amore Pacific	10.4	16.1	14.7	15.9	16.0	14.6
LG HH	8.7	6.9	9.3	10.9	11.6	10.4
Able C&C	(9.5)	0.4	7.2	10.7	11.3	10.2
Cosmax	6.8	(2.7)	4.9	5.8	6.3	6.9
Korea Kormar	3.5	7.1	5.5	7.2	6.9	6.1
Genic	12.1	(22.9)	5.1	6.8	0.0	12.9

Source: fnguide, Leading Research Center

New growth engine (1) - Health food division

80% revenue growth during 2009~2011

Revenue is expected to increase 46.1% yoy in 2012F

The health foods division is expected to grow 46.1% in 2012F and 28.9% in 2013F by adding new buyers. Raw materials for health foods (30% of total sales) are supplied to nearly 90 buyers producing over 100 products including oriental raisin tree extract, ginseng, and soybean extract. With increasing sales of oriental raisin tree extract in 2009, sales in 2011 reached 80% growth comparing to 2009.

High OPM of 25~30%

Bioland has high operating margin of 25~30% with customized products that require high technologies.

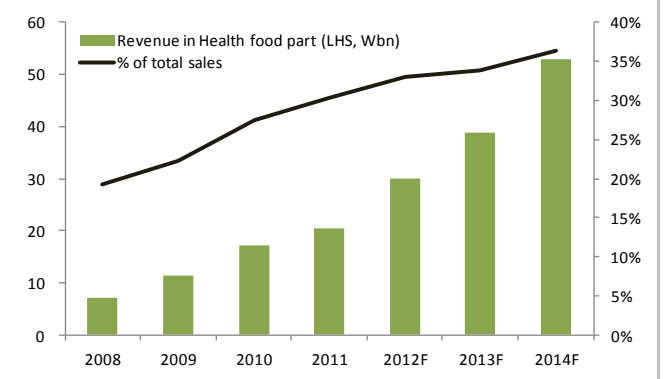
CAPA expansion effect is expected to reflect in 2012F

One of health food raw material, hyaluronic acid, is expected to increase production, supplying the new customer in 2012E. In order to do so, the company was upgraded its capacity, building new factory in Oshong in 2011.

Expected increasing demand of health food with well-being trend

Revenue of health foods raw materials division is expected to increase from W 20.6 bn in 2011 to W 38.8 bn in 2013 with the well-being trend. The well-being trend leads increasing demand of health foods for beauty such as yogurt, tea, and snacks.

Exhibit 14. Revenue growth in health food division



Source: Company data, Leading Research Center

Exhibit 15. Health food application (Collagen)

Source: Leading Research Center

New growth engine (2)–RM for medicine and medical equipment

Effort to secure customers

Increasing buyers through developing customized raw materials

Medicine related division produces raw materials of wound dressing, medication for degenerative arthritis, and oriental medicate patch. Through customized products with the strategy shown in other two divisions, the company is trying to secure its customers. Currently, Bioland has long-term relationship with 2 big clients as an outsourcing company of drug manufacturer.

Developing medication for dementia for future growth

Bioland had completed GLP in 'GLP research on development of medication for dementia' of BL153 supported by the Ministry of Knowledge Economy in September, 2009 and obtained IND approval in November, 2011. Clinical trial is currently planned to be on 2nd stage and anticipated 2-3 years to be completed.

Medicine related division will generate 13% of total sales in the next 3years

Revenue in medicine related division is expected to maintain 13% of the total sales in the foreseeable future until the company release the new medicine.

Expecting synergy with medicine division and cosmetics division in R&D

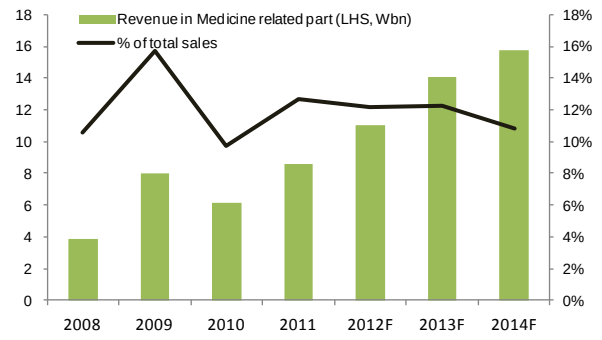
Given the low return on investment of the medicine related division, it has been the main factor for the valuation discount. However, we believe the division will create synergy when combined with the medicine related division and cosmetic division in R&D.

According to Freedonia Group, the demand of "Cosmeceutical Products" (grafting cosmetics to pharmaceutical technologies) is growing at 5.9% per annum and the market size will reach US$8.5bn by 2015 in the US. Such growth could be attributed to increasing preference for anti-aging products as attention to health and well-being with aging population is increasing. Therefore, a cosmetic raw materials manufacturer with medicinal technology will be able to enjoy huge synergy effect in such a market.

Exhibit 16. Application of medicine related division

Source: Leading Research Center

Exhibit 17. Revenue forecast in medicine related part



Source: Company data, Leading Research Center

Section 3: What is the management philosophy

Pioneer of cosmetic raw material localization

Customer oriented business mind

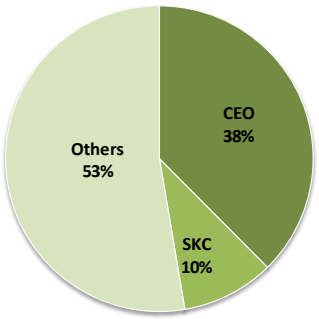
Jung, Chan- Bok, the president of Bioland, is the pioneer of localizing cosmetics raw materials in the market where imports dominated over 90%. Based on the career in HanKook Cosmetics and Miju Chemical, he started his own trading company 'Interlees', which specialized in importing cosmetic raw materials and supplying them to domestic cosmetic companies. Through the trading business, he successfully secured major cosmetic companies as customers.

With customer oriented business, Bioland was established as cosmetic raw materials producer in 1995. The company had higher competiveness with unique technologies acquired from Amore pacific in 2004 as a foundation. As a result, the company generated solid revenue with 49% market share in the functional raw material industry.

The company had three factories (Chunan, Ansan, Ohchang) in operation until 2010. In 2011, the company invested W30bn in Osong plant with production capacity of W100bn, which is larger than the other three factories combined. The investment is a preparation for anticipated increase in new clients, which is expected to lead to an increase in necessary orders.

Additionally, this will also allow the company to increase their inventory. There has been some criticism from the medical sector that they are making excessive investment. However, 87% of their sales consist of cosmetics and health products raw materials, which is a major contributor to the high ROIC for 2012F~2014F of 14%~16%.

Exhibit 18. Shareholders (2011)



Source: Company data, Leading Research Center

Exhibit 19. CEO Profile- Chanbok Jung

Period	Career
1995-Current	Bioland CEO
1989-1995	Interlees Director of Trading Sales
1987-1989	Miju Chem General Manager of R&D
1982-1987	Joint Korea Cosmetics

Source: Company data, Leading Research Center

Section 4: Earning Forecasts

Expecting revenue growth of +33.7%yoy in 2012

The revenue of the company is expected to dramatic growth with W100bn increase in capacity. The new plant was completed in November 2011. The raw materials produced by new plant will be supplied to new cosmetic line of existing cosmetic company and new customer in health food maker. The expansion will help the company achieve the revenue growth in two major parts (cosmetic part and health food part) of 34.4% YoY, while the total revenue will likely grow by 33.7% YoY.

Exhibit 20. Annual Earnings Forecast

	Earnings (Wbn)				Growth (%)			
	2011	2012F	2013F	2014F	2011	2012F	2013F	2014F
Revenue	68.0	90.9	114.8	145.2	8.8	33.7	26.2	26.5
Gross profit	30.6	39.3	50.0	64.9	3.6	28.3	27.4	29.7
Operating profit	16.0	19.5	24.7	32.4	6.0	21.9	26.8	31.2
Profit before tax	15.4	17.5	23.5	31.9	5.1	13.7	34.4	35.5
Net profit	13.7	14.6	19.7	26.6	9.2	6.6	34.4	35.5
EPS	915	975	1,311	1,776	9.2	6.6	34.4	35.5
OPM (%)	23.5	21.4	21.5	22.3				
NPM (%)	20.2	16.1	17.1	18.3				

Source: Company data, Leading Research Center

Exhibit 21. Earning Forecast by division

	2009	2010	2011	2012F	2013F	2014F
Earnings (Wbn)	**50.9**	**62.5**	**68.0**	**90.9**	**114.8**	**145.2**
Cosmetics	31.6	39.2	38.8	49.8	61.9	76.5
Health Foods	11.4	17.1	20.6	30.1	38.8	52.9
Medicine	3.8	3.3	4.0	6.0	8.7	10.0
Medical Equipment	4.2	2.8	4.6	5.1	5.4	5.8
Growth (%, YoY)	**38.7%**	**22.6%**	**8.8%**	**33.7%**	**26.2%**	**26.5%**
Cosmetics	22.7%	24.2%	-1.2%	28.3%	24.4%	23.6%
Health Foods	60.6%	50.8%	20.1%	46.0%	29.0%	36.5%
Medicine	35.4%	-14.2%	22.1%	51.6%	43.9%	14.9%
Medical Equipment	284.5%	-32.2%	62.0%	9.4%	7.2%	7.3%
Weight (%)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Cosmetics	62%	63%	57%	55%	54%	53%
Health Foods	22%	27%	30%	33%	34%	36%
Medicine	7%	5%	6%	7%	8%	7%
Medical Equipment	8%	5%	7%	6%	5%	4%

Source: Company data, Leading Research Center

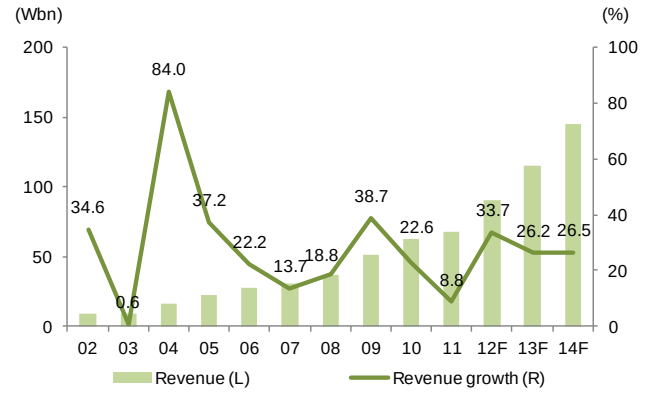
Exhibit 22. Quarterly Eanings Forecast

(Wbn)	2011(IFRS)				2012E (IFRS)				2012E (YoY, %)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	18.4	18.1	14.0	17.5	20.1	24.1	20.6	26.1	9.0	33.4	47.2	49.4
Gross profit	9.3	8.2	5.4	7.0	9.2	10.2	8.7	11.2	(0.9)	24.5	59.7	60.0
Operating profit	5.8	4.6	1.5	3.8	4.6	5.2	3.1	6.5	(20.1)	12.9	114.5	69.1
Profit before tax	5.2	4.5	2.0	3.5	4.5	5.1	3.0	6.3	(14.5)	12.5	51.0	82.7
Net profit	4.7	3.4	1.9	3.5	3.7	4.4	2.3	5.6	(20.6)	28.8	20.1	58.7
OPM (%)	31%	26%	10%	22%	23%	22%	15%	25%				
NPM (%)	26%	19%	14%	20%	19%	18%	11%	22%				

Source: Company data, Leading Research Center

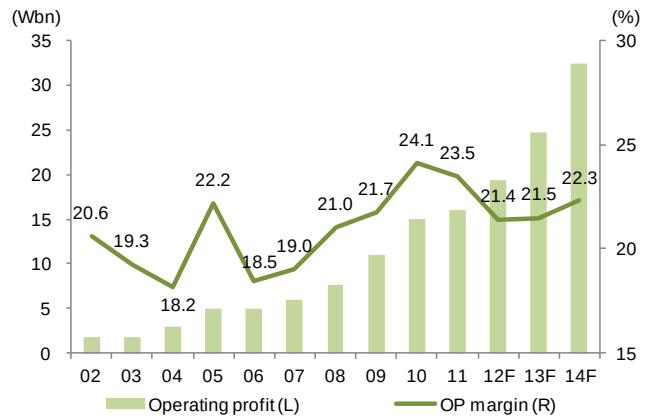
Section 5: Facts & Figures

Exhibit 23. Revenue and Growth trend



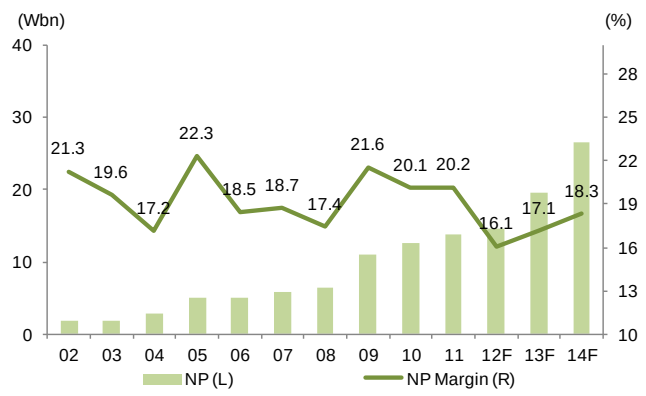
Source: Company data, Leading Research Center

Exhibit 24. Operating profit and OPM trend



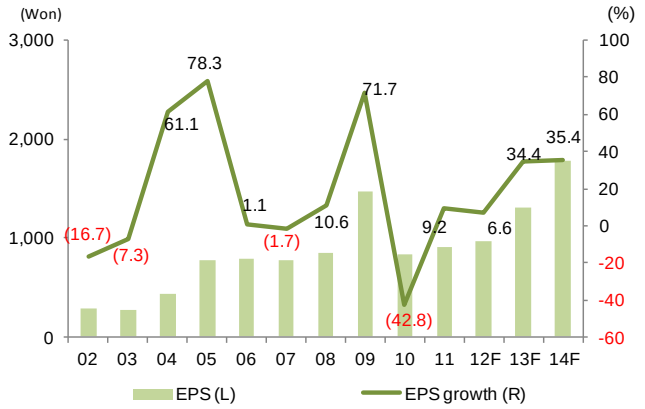
Source: Company data, Leading Research Center

Exhibit 25. Net profit and NP margin trend



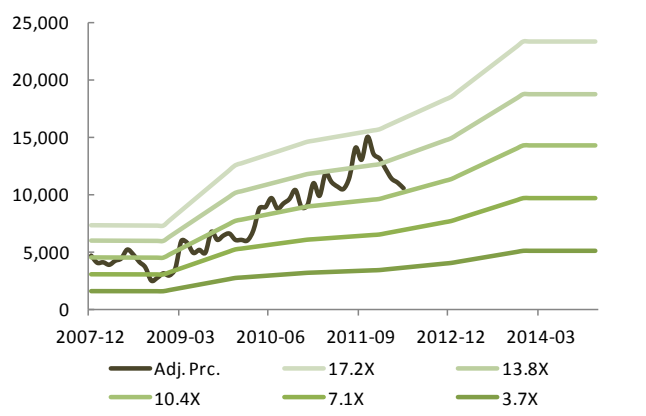
Source: Company data, Leading Research Center

Exhibit 26. EPS and EPS growth



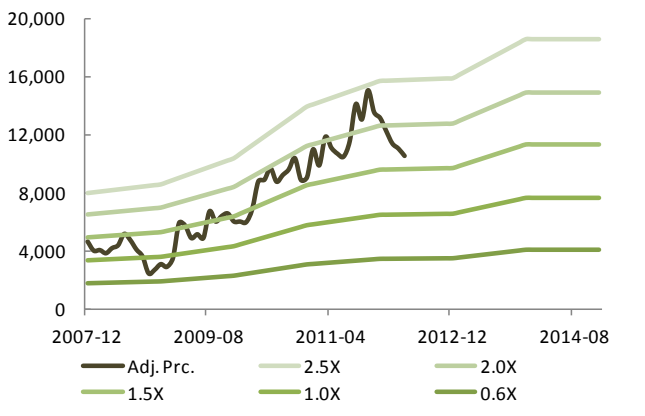
Source: Company data, Leading Research Center

Exhibit 27. PER Band



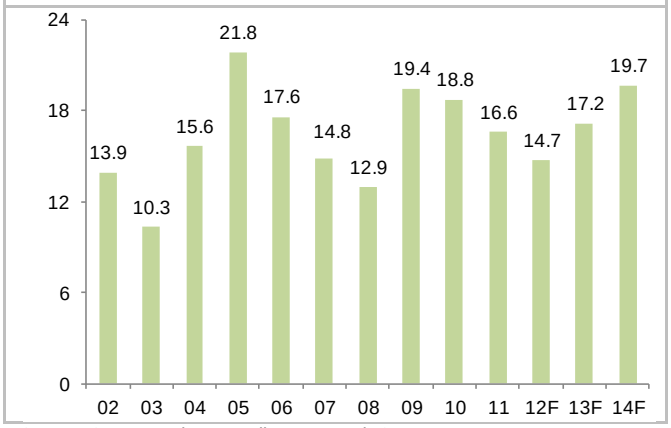
Source: FnGuide

Exhibit 28. PBR Band



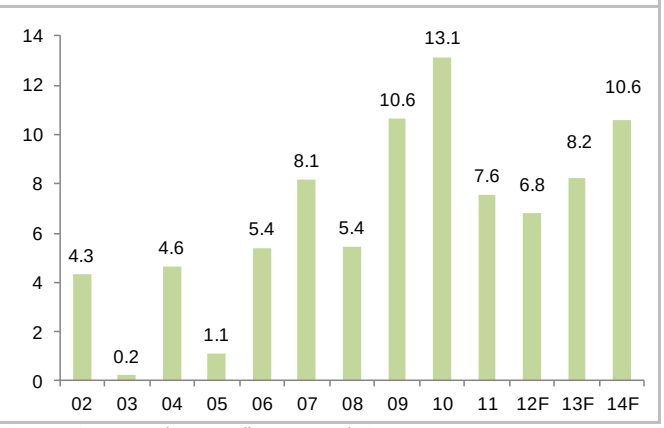
Source: FnGuide

Exhibit 29. ROE (%)



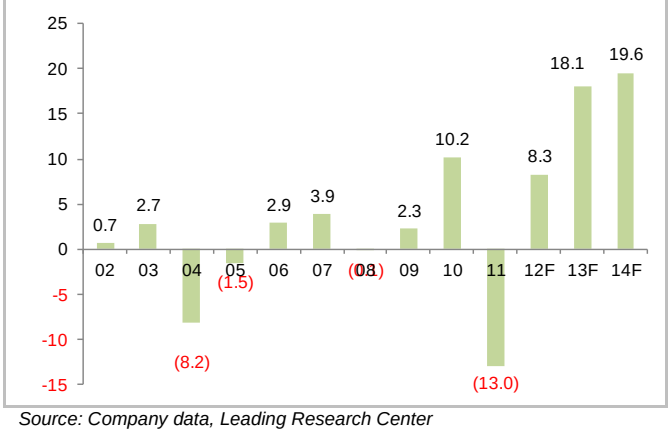
Source: Company data, Leading Research Center

Exhibit 30. EVA: ROIC less WACC (%)



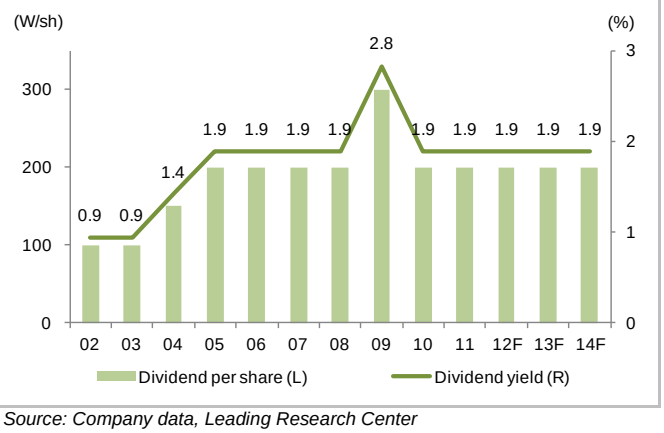
Source: Company data, Leading Research Center

Exhibit 31. Free Cash Flow trend (Wbn)



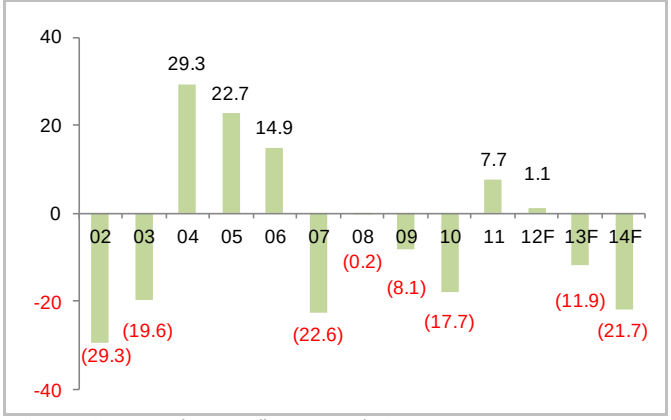
Source: Company data, Leading Research Center

Exhibit 32. Dividend per share and yield trend



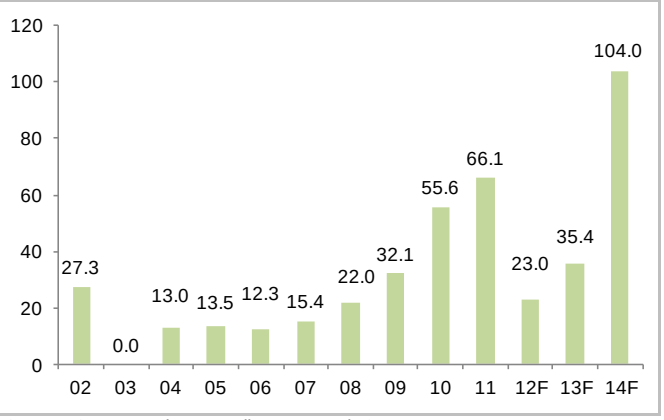
Source: Company data, Leading Research Center

Exhibit 33. Net debt/equity ratio (%)



Source: Company data, Leading Research Center

Exhibit 34. Interest coverage (X)



Source: Company data, Leading Research Center

Financial Statement

Income statement

(Wbn)	02	03	04	05	06	07	08	09	10	11	12F	13F	14F
Revenue	**8.8**	**8.8**	**16.2**	**22.2**	**27.2**	**30.9**	**36.7**	**50.9**	**62.5**	**68.0**	**90.9**	**114.8**	**145.2**
% chg yoy	34.6	0.6	84.0	37.2	22.2	13.7	18.8	38.7	22.6	8.8	33.7	26.2	26.5
COGS	3.9	3.5	7.9	10.9	13.4	16.1	18.9	26.6	32.9	37.8	51.6	64.7	80.3
Gross profit	**4.8**	**5.3**	**8.3**	**11.4**	**13.8**	**14.8**	**17.8**	**24.3**	**29.5**	**30.6**	**39.3**	**50.0**	**64.9**
GP margin (%)	55.0	60.1	51.3	51.0	50.8	47.8	48.5	47.7	47.3	45.0	43.2	43.6	44.7
SG&A	**3.0**	**3.6**	**5.4**	**6.4**	**8.8**	**8.9**	**10.1**	**13.3**	**14.5**	**14.6**	**19.8**	**25.4**	**32.5**
Operating income	**1.8**	**1.7**	**3.0**	**4.9**	**5.0**	**5.9**	**7.7**	**11.1**	**15.1**	**16.0**	**19.5**	**24.7**	**32.4**
OP margin (%)	**20.6**	**19.3**	**18.2**	**22.2**	**18.5**	**19.0**	**21.0**	**21.7**	**24.1**	**23.5**	**21.4**	**21.5**	**22.3**
Net other income	0.1	(0.0)	0.3	0.5	0.4	0.7	0.7	(0.0)	(0.1)	(0.6)	(0.7)	(0.7)	(0.7)
Reported operating income	**1.8**	**1.7**	**3.0**	**4.9**	**5.0**	**5.9**	**7.7**	**11.1**	**15.1**	**15.4**	**18.8**	**24.0**	**31.7**
Net equity method gains	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.5)	0.0	0.1
Financial income	0.2	0.2	0.1	0.2	0.3	0.5	0.6	2.8	0.3	0.3	0.6	0.7	0.9
Financial expenses	0.1	0.0	0.2	0.4	0.4	1.0	1.4	1.4	0.7	0.3	1.3	1.2	0.8
Income before tax	**2.0**	**1.9**	**3.1**	**5.3**	**5.3**	**6.1**	**7.6**	**12.4**	**14.7**	**15.4**	**17.5**	**23.5**	**31.9**
Income tax	0.2	0.2	0.3	0.3	0.3	0.3	1.2	1.4	2.1	1.7	2.9	3.9	5.2
Tax rate (%)	0.1	0.1	0.1	0.1	0.1	0.0	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Net profit	**1.9**	**1.7**	**2.8**	**5.0**	**5.0**	**5.8**	**6.4**	**11.0**	**12.6**	**13.7**	**14.6**	**19.7**	**26.6**
Controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.7	14.6	19.7	26.6
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0
Total comprehensive income	1.9	1.7	2.8	5.0	5.0	5.8	6.4	11.0	12.6	13.4	14.6	19.7	26.6

Balance sheet

(Wbn)	02	03	04	05	06	07	08	09	10	11	12F	13F	14F
Current assets	**8.7**	**7.1**	**9.3**	**10.9**	**13.2**	**28.7**	**25.0**	**35.6**	**42.8**	**40.8**	**55.8**	**69.0**	**87.2**
Cash & equivalents	0.7	1.1	1.1	1.5	2.6	8.9	8.5	7.1	9.4	10.1	10.3	11.1	11.3
ST financial assets	4.2	2.2	1.1	0.1	0.6	8.6	0.0	4.7	8.5	0.0	8.8	14.2	23.8
Accounts receivables	1.8	1.9	3.9	4.2	5.5	5.8	7.2	12.2	11.8	13.1	15.6	19.5	22.1
Inventory	2.0	2.0	3.2	4.6	4.7	6.0	9.1	11.1	13.5	17.7	20.9	24.0	29.9
Others	(0.0)	(0.1)	0.0	0.4	(0.2)	(0.6)	0.2	0.5	(0.3)	(0.1)	0.2	0.2	0.2
Non-current assets	**9.6**	**11.5**	**20.9**	**28.5**	**29.8**	**30.2**	**40.8**	**40.6**	**45.9**	**88.1**	**90.3**	**86.3**	**82.7**
Fixed assets	7.5	7.2	17.4	22.7	23.8	23.9	28.0	29.6	34.7	75.6	77.5	73.1	68.3
LT financial assets	0.1	1.8	1.4	3.4	3.5	3.4	8.9	7.2	6.3	7.9	8.1	8.3	8.7
Investment in affilates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.4	0.4
Invstmt in joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.0	2.6	2.2	2.5	2.5	2.9	3.9	3.8	4.9	4.1	4.3	4.5	5.3
Total assets	**18.3**	**18.6**	**30.3**	**39.4**	**43.0**	**58.8**	**65.8**	**76.2**	**88.7**	**128.9**	**146.1**	**155.3**	**169.9**
Current liabilities	**1.1**	**1.5**	**5.6**	**7.3**	**6.6**	**6.0**	**10.2**	**9.4**	**11.1**	**15.1**	**16.0**	**16.4**	**13.5**
Accounts payables	0.0	0.2	0.2	0.4	0.6	0.5	1.1	1.5	2.6	2.6	3.4	3.9	5.2
ST financial liabilities	0.0	0.0	2.5	3.2	3.6	3.9	6.4	5.2	3.8	3.2	3.2	3.2	0.2
Others	1.0	1.3	2.8	3.7	2.4	1.6	2.6	2.7	4.8	9.3	9.5	9.4	8.1
Non-current liabilities	**0.5**	**0.4**	**5.8**	**5.5**	**6.0**	**5.1**	**4.4**	**5.0**	**5.4**	**20.5**	**24.5**	**15.9**	**9.1**
LT acc & other payables	0.0	0.1	0.0	0.0	0.4	0.4	0.4	0.4	0.4	0.4	1.0	1.2	0.5
LT financial liabilities	0.0	0.0	5.2	4.5	4.2	2.8	1.9	1.6	1.3	14.1	17.1	7.5	3.0
Others	0.4	0.3	0.5	1.0	1.4	1.9	2.1	3.0	3.7	5.9	6.4	7.2	5.6
Total liabilities	**1.5**	**1.9**	**11.4**	**12.8**	**12.6**	**11.1**	**14.6**	**14.4**	**16.5**	**35.6**	**40.5**	**32.4**	**22.6**
Paid-in capital	3.2	3.2	3.2	3.2	3.2	3.8	3.8	3.8	7.5	7.5	7.5	7.5	7.5
Capital surplus	9.2	9.2	9.2	10.9	10.9	23.4	23.4	23.4	19.6	19.6	19.6	19.6	19.6
Other comprehensive income	0.0	0.0	0.0	0.1	0.1	(0.1)	(1.5)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Other capital adjustments	(0.7)	(1.8)	(1.9)	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	5.0	6.1	8.4	12.4	16.2	20.7	25.6	35.1	45.4	66.4	78.7	96.0	120.4
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total shareholder's equity	**16.8**	**16.7**	**18.9**	**26.7**	**30.4**	**47.7**	**51.2**	**61.8**	**72.2**	**93.3**	**105.6**	**123.0**	**147.3**

(Wbn)	02	03	04	05	06	07	08	09	10	11	12F	13F	14F

Net profit	**1.9**	**1.7**	**2.8**	**5.0**	**5.0**	**5.8**	**6.4**	**11.0**	**12.6**	**13.7**	**14.6**	**19.7**	**26.6**
Adjust for non-cash trans	**1.6**	**1.9**	**2.5**	**2.9**	**3.4**	**3.5**	**3.9**	**2.3**	**4.2**	**3.7**	**7.1**	**8.1**	**8.5**
Depreciation	1.0	1.0	1.6	1.8	2.5	2.2	2.3	2.4	2.6	3.3	6.6	7.6	8.0
Provision for reserves	0.2	0.3	0.2	0.3	0.4	0.6	0.4	1.0	1.3	0.5	1.0	1.0	1.0
Net FX gains	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0
Net equity method gains	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0
Others	(0.1)	0.1	(0.1)	0.1	(0.1)	0.3	0.9	(1.3)	0.3	(0.2)	0.5	0.5	0.5
Chg in op assets & liab	**(0.1)**	**(0.3)**	**(1.6)**	**(2.1)**	**(1.9)**	**(3.0)**	**(3.9)**	**(6.9)**	**1.1**	**(0.9)**	**(5.0)**	**(6.4)**	**(12.4)**
Incr in WC (decr)	0.4	(0.1)	3.1	1.6	1.2	1.7	3.9	6.7	0.8	5.5	5.0	6.4	7.1
Others	(0.3)	0.4	(1.5)	0.5	0.8	1.4	(0.0)	0.2	(2.0)	(4.6)	0.0	0.0	(5.3)
Cash from operations	**3.4**	**3.4**	**3.6**	**5.8**	**6.5**	**6.3**	**6.3**	**6.4**	**17.9**	**16.5**	**16.8**	**21.3**	**22.8**
Capital expenditures	2.8	0.7	11.8	7.3	3.6	2.4	6.5	4.1	7.7	29.5	8.5	3.2	3.2
Free cash flow	**0.7**	**2.7**	**(8.2)**	**(1.5)**	**2.9**	**3.9**	**(0.1)**	**2.3**	**10.2**	**(13.0)**	**8.3**	**18.1**	**19.6**
Dividend	0.5	0.6	0.5	0.9	1.3	1.3	1.5	1.5	2.3	3.0	2.3	2.3	2.3
Incr in investment assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0
Share issues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase in debt	(1.2)	0.0	7.7	(0.1)	0.1	(1.1)	1.7	(1.6)	(1.7)	12.2	3.0	(9.6)	(7.5)
Others	(2.2)	2.0	0.1	(1.8)	0.1	(4.7)	0.5	0.7	4.0	13.6	0.0	0.0	0.0
Net cash flow	**0.2**	**0.4**	**0.0**	**0.4**	**1.1**	**6.3**	**(0.4)**	**(1.4)**	**2.3**	**(9.4)**	**0.2**	**0.8**	**0.2**
Beginning cash	0.5	0.7	1.1	1.1	1.5	2.6	8.9	8.5	7.1	9.4	10.1	10.3	11.1
Ending cash	0.7	1.1	1.1	1.5	2.6	8.9	8.5	7.1	9.4	10.1	10.3	11.1	11.3

Key ratios and stability ratios

Year-end 31 Dec (Wbn)	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**	**10**	**11**	**12F**	**13F**	**14F**
Current ratio	824.4	465.8	167.5	149.7	199.0	478.8	245.5	377.9	385.9	270.2	348.7	419.8	647.2
Quick ratio	8.2	15.9	12.1	13.5	19.7	30.9	33.9	19.9	21.9	24.7	18.4	16.1	13.0
Inventory holding period (d)	185.1	269.2	180.7	155.5	145.9	170.3	195.3	168.8	172.7	186.2	158.8	67.7	67.9
A/R collection period (d)	77.6	119.9	91.2	80.0	76.1	77.1	96.7	85.9	72.7	77.2	70.6	31.0	27.7
A/P period (days)	7.7	9.5	8.0	9.0	13.3	12.0	13.6	16.5	20.8	22.3	19.8	19.5	19.3
Interest bear debt (Wbn)	0.0	0.0	7.7	7.7	7.7	6.7	8.4	6.8	5.1	17.3	20.3	10.7	3.2
Cash & equivalents (Wbn)	4.9	3.3	2.2	1.6	3.2	17.4	8.5	11.8	17.9	10.1	19.1	25.3	35.1
Net int. bear debt (Wbn)	(4.9)	(3.3)	5.5	6.1	4.5	(10.8)	(0.1)	(5.0)	(12.8)	7.2	1.2	(14.6)	(31.9)
Net debt/equity (%)	(29.3)	(19.6)	29.3	22.7	14.9	(22.6)	(0.2)	(8.1)	(17.7)	7.7	1.1	(11.9)	(21.7)
Liability/equity (%)	9.2	11.3	60.0	47.8	41.5	23.4	28.6	23.4	22.9	38.1	38.4	26.3	15.3
Interest coverage (X)	27.3	N/A	13.0	13.5	12.3	15.4	22.0	32.1	55.6	66.1	23.0	35.4	104.0

Valuations and margins

(Wbn)	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**	**10**	**11**	**12F**	**13F**	**14F**
EV/EBITDA (X)	18.9	19.4	13.9	10.0	8.4	9.3	7.7	5.8	8.9	8.2	6.0	4.9	3.9
EPS (W)	292	270	436	777	785	772	853	1,465	838	915	975	1,311	1,776
EPS yoy chg (%)	(16.7)	(7.3)	61.1	78.3	1.1	(1.7)	10.6	71.7	(42.8)	9.2	6.6	34.4	35.5
PER (X)	36.0	38.8	24.1	13.5	13.4	13.6	12.3	7.2	12.5	11.5	10.8	8.0	5.9
BVPS (W)	3,013	2,612	2,957	4,165	4,747	6,861	6,825	8,241	6,416	6,219	7,041	8,199	9,821
P/BVPS (X)	3.5	4.0	3.6	2.5	2.2	1.5	1.5	1.3	1.6	1.7	1.5	1.3	1.1
Dividend/sh (W)	100	100	150	200	200	200	200	300	200	200	200	200	200
Dividend yield (%)	1.0	1.0	1.4	1.9	1.9	1.9	1.9	2.9	1.9	1.9	1.9	1.9	1.9
ROE (%)	13.9	10.3	15.6	21.8	17.6	14.8	12.9	19.4	18.8	16.6	14.7	17.2	19.7
ROA (%)	12.0	9.4	11.4	14.3	12.2	11.4	10.3	15.5	15.2	12.6	10.6	13.0	16.4
GP margin (%)	55.0	60.1	51.3	51.0	50.8	47.8	48.5	47.7	47.3	45.0	43.2	43.6	44.7
OP margin (%)	20.6	19.3	18.2	22.2	18.5	19.0	21.0	21.7	24.1	23.5	21.4	21.5	22.3
NP margin (%)	21.3	19.6	17.2	22.3	18.5	18.7	17.4	21.6	20.1	20.2	16.1	17.1	18.3
EBITDA margin (%)	37.5	37.3	32.2	32.8	29.5	27.3	27.8	26.6	28.3	28.4	28.7	28.1	27.8
ROIC (%)	15.7	12.3	13.8	16.3	14.1	15.6	14.7	18.2	22.2	17.8	15.7	19.2	24.2
WACC (%)	11.4	12.1	9.2	15.2	8.7	7.4	9.3	7.5	9.1	10.2	8.9	11.0	13.6
ROIC less WACC (%)	4.3	0.2	4.6	1.1	5.4	8.1	5.4	10.6	13.1	7.6	6.8	8.2	10.6

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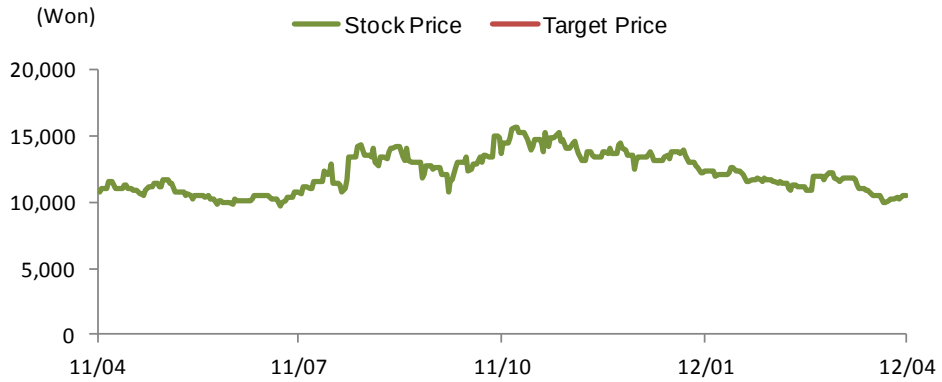
▶ Ratings and target price history in past two years

Bioland (052260 KQ)	
Date	2012-04-23
Ratings	BUY
Target Price	16,000

▶ Target price changes in past two years



▶ Investment period and ratings

Company

BUY	The stock is expected to outperform the market by at least 15%p over the next 12 months.
HOLD	The stock is expected to either outperform or underperform the market by less than 15%p over the next 12 months.
SELL	The stock is expected to underperform the market by at least 15%p over the next 12 months.

Industry

OVERWEIGHT	Industry indicators are expected to outperform the market by at least 5%p over the next 12 months.
NEUTRAL	Industry indicators are expected to be in line with the market within 5%p over the next 12 months.
UNDERWEIGHT	Industry indicators are expected to underperform the market by at least 5%p over the next 12 months.

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