

NICE, THE HUB OF THE FINANCIAL  
INFRASTRUCTURE IN ASIA



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# NICE Information & Telecommunication, Inc

- Investors Relations Book

August. 2018.



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## I . Introduction of NICE I&T

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1. Continuous growth through differentiated competitiveness
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  - ④. Overseas Market : Entering into fast growing Southeast Asian PG markets preemptively
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3. Attractive Valuation : Undervalued compared to peer group

## ※ Appendix



# I . Introduction of NICE I&T



## Optimal Business Portfolio

VAN  
(offline payments)

PG  
(online payments)

FinTech  
(mobile payments)

Entry into Southeast  
Asian Market

# NICE I&T,

the strongest player in the payment processing market in Korea

Manufacturing  
payment devices

Supplying  
POS solution

Supplying KIOSK

Affiliate ISO/MSP

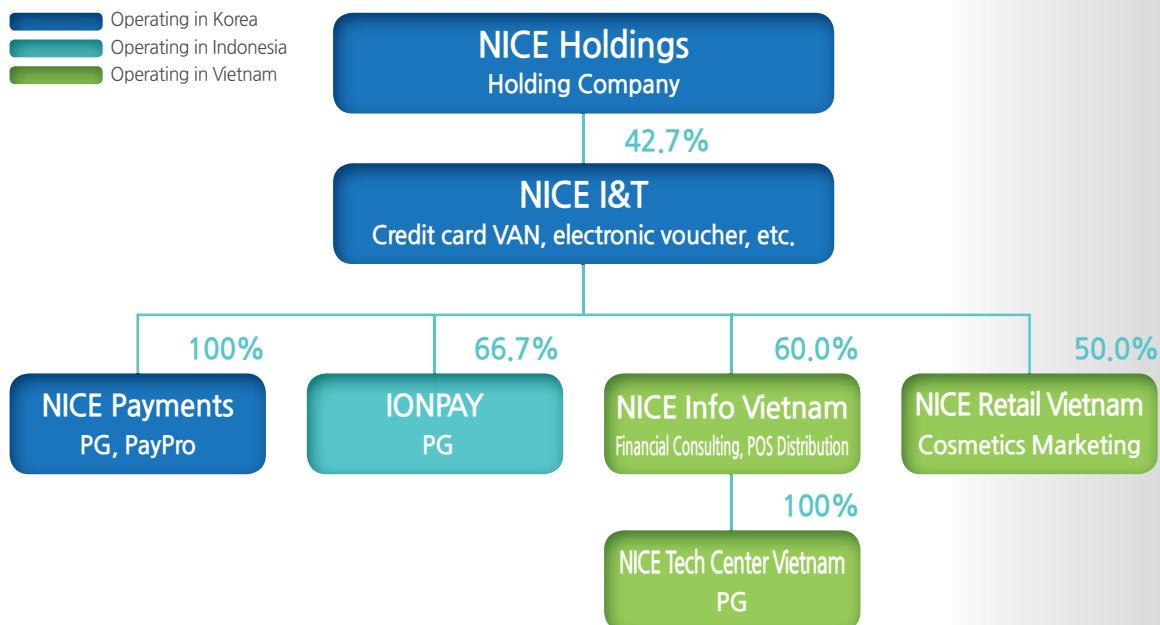
Group-level synergy based on vertical integration of payment industry businesses

# I -1. Business structure of NICE I&T

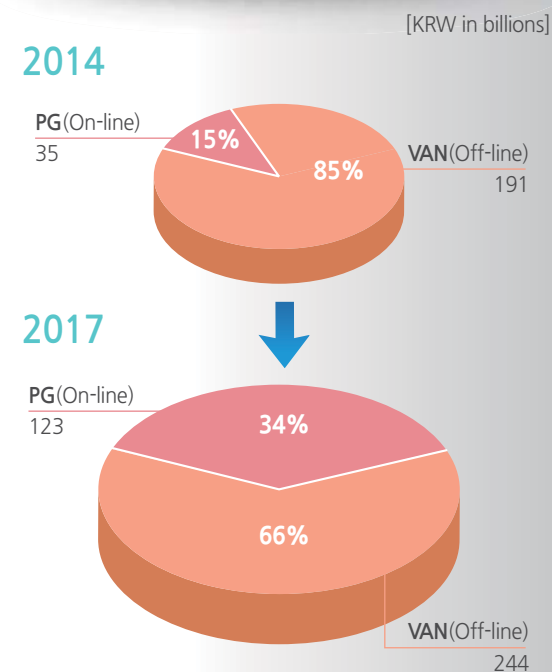


NICE I&T is the leading company in online & offline payments market in Korea.  
We are preemptively adapting our business structure to current trends of online/mobile payments transformation, while actively entering into overseas payments markets

## Business by Regions



## Revenue by Segments

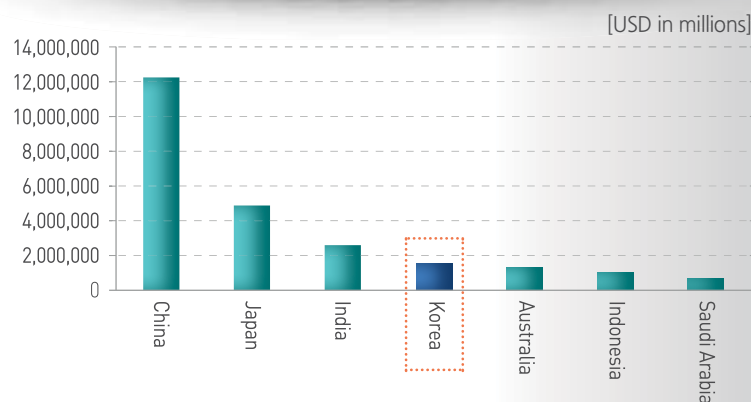


## I -2. Growth story of payment market in Korea continues

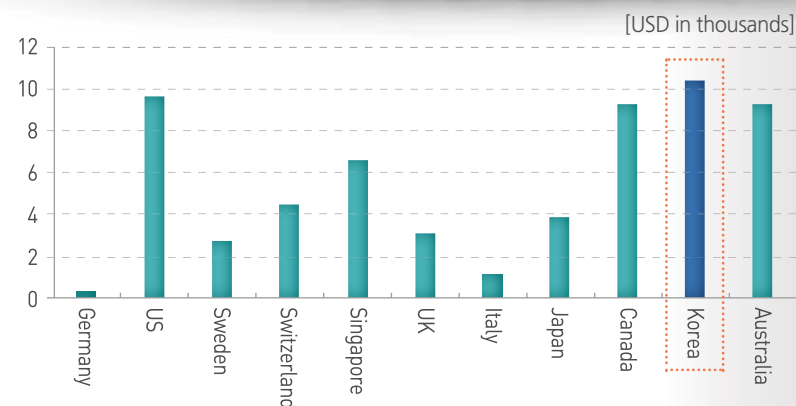
Korea is the 4th largest economy in Asia. 80.2% of the population own credit cards and use them as a key payment method.

With increasing O2O mobile payments and income-driven growth strategy by the government, Korean payments market is expected to realize additional growth potential.

### GDP ranking of countries in Asia/Australia

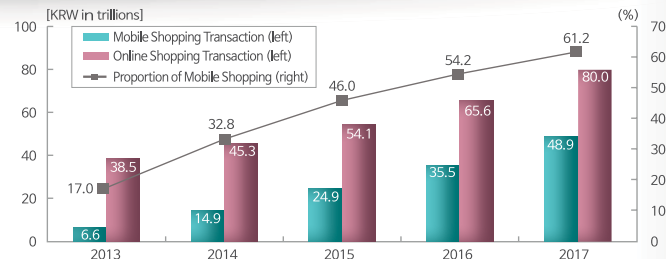


### Credit card payment amounts per person in developed countries



### Rapid growth in e-commerce markets

- Korea is moving toward 'cashless society' with its advanced credit card payment system.
- E-commerce markets in Korea is showing rapid growth due to increasing O2O payments utilizing FinTech (smartphone penetration rate at 91.9%).



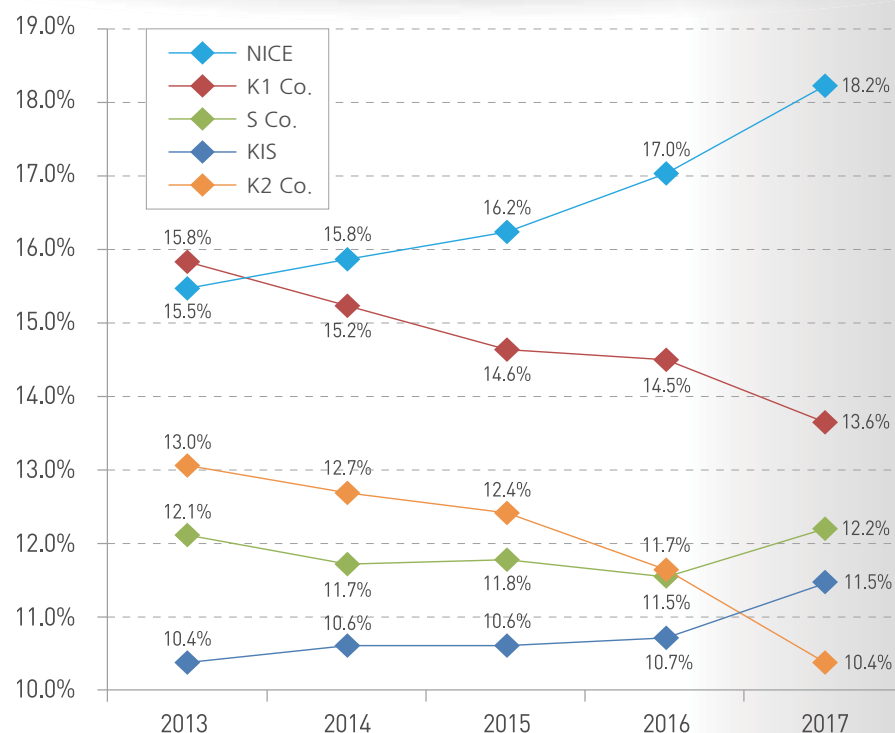
# I -3. The strongest player in the payment processing market in Korea



## ① No. 1 market share with the largest merchant network

NICE I&T, the No. 1 Player in credit card VAN market in Korea, is widening the gap with the runner-up (18.2% of market share by no. of transactions, number of merchants at 387,000)

Market share of VAN Market (No. of credit card payment transactions)



\* KIS, the 4th in M/S, is an affiliate of NICE Group. Total market share of NICE Group in 2017: 29.7%

## Merchants Network Overview

We are processing over 3 billion real-time credit card transactions annually for our 387,000 merchants nationwide.

## Major clients of NICE I&T

Our majors clients include large corporations with franchise store networks across the nation.



## I -3. The strongest player in the payment processing market in Korea



### ② Nationwide service network and excellent service stability

NICE I&T is the most reliable VAN service provider in Korea. Our nationwide service network and high capacity stable processing system can handle 10 million transactions per day with zero failure, 24/7.

#### NICE I&T's nationwide service network

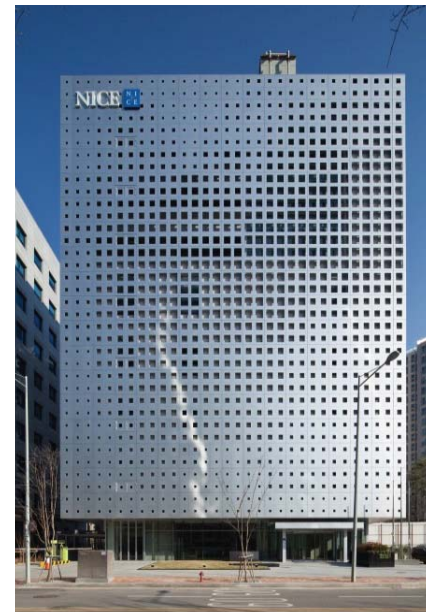
- We have 4 branch offices in metropolitan cities and own sales network of 2,003 agencies.

- We provide instant support for installment and maintenance of POS & CAT



#### NICE I&T IDC center

- We established the highest level IDC and DR(disaster recovery) system in Korea
- [ 365 days X 24 hours] zero failure, zero stoppage system
- Highest level of IDC operation know-how





## I -3. The strongest player in the payment processing market in Korea



### ③ Group synergy embracing overall payment service market

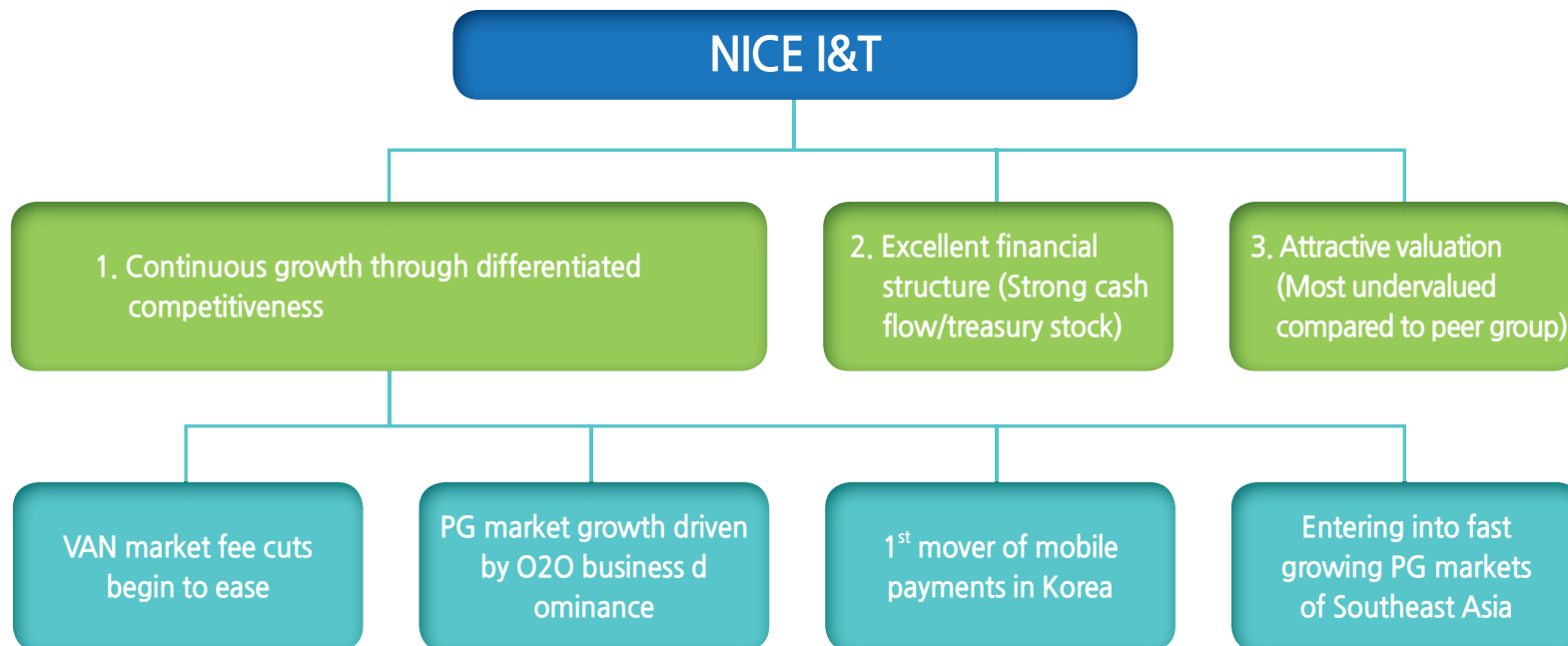
NICE Group is seeking to create synergy thru securing core business capabilities in the value chain of payment industry, from manufacturing devices/supplying solutions and payment processing to ISO/MSP



## II. NICE I&T Investment Points



### Top pick for payment processing market in Korea



NICE Information & Telecommunication



## II-1. Continuous growth through differentiated competitiveness

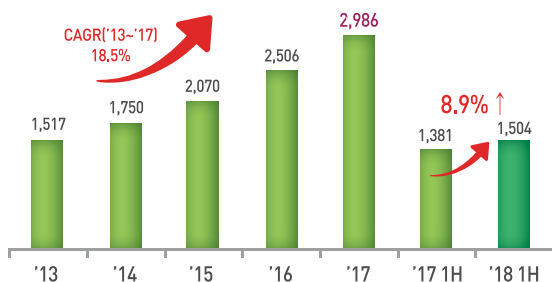
### ① VAN Market: Expecting continuous growth as fee cuts begin to ease

NICE I&T has maintained good performance due to solid quantity increase (Q↑) offsetting fee cuts (P↓) caused by government policy since 2016.

Fee cuts issue is expected to be settled by the end of 2018; growth is expected to continue thereafter

#### No. of VAN transactions

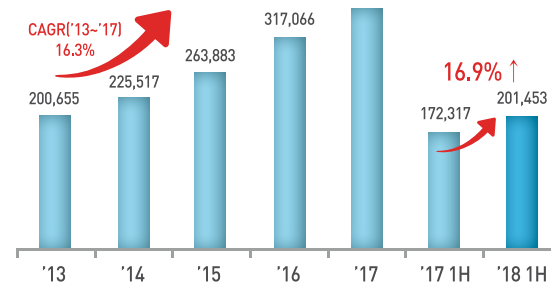
[in millions]



Market CAGR ('13~'17) at 13.7%:  
Outperformed market average by 34.4%

#### Consolidated Revenues

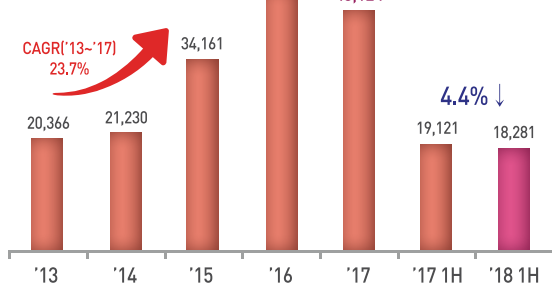
[KRW in millions]



Despite a sharp decrease in P↓, solid revenue growth has been achieved with quantity increase through increase in market share

#### Consolidated Operating Income

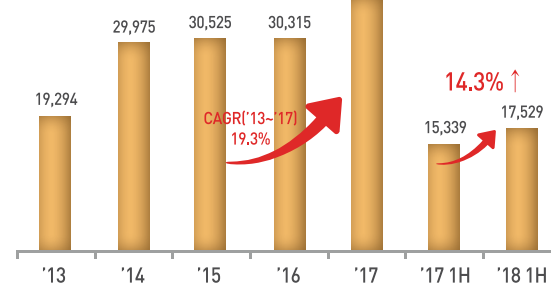
[KRW in millions]



Operating income decreased in '17 due to a sharp P↓ resulting from government policy and payment commission increase but additional P↓ issue is expected to be limited

#### Consolidated Net Income

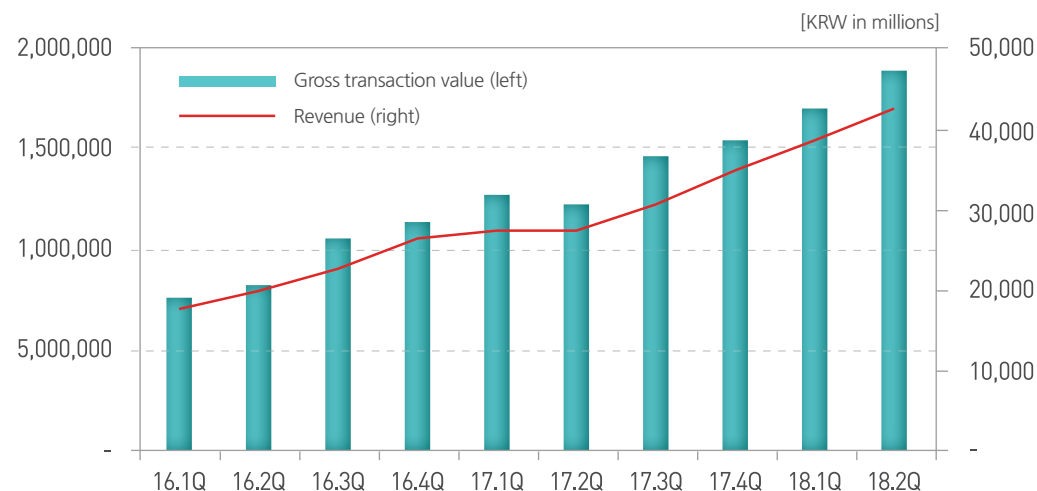
[KRW in millions]



## II-1. Continuous growth through differentiated competitiveness

### ② PG Market : Strong growth by dominating rapidly growing O2O business in advance

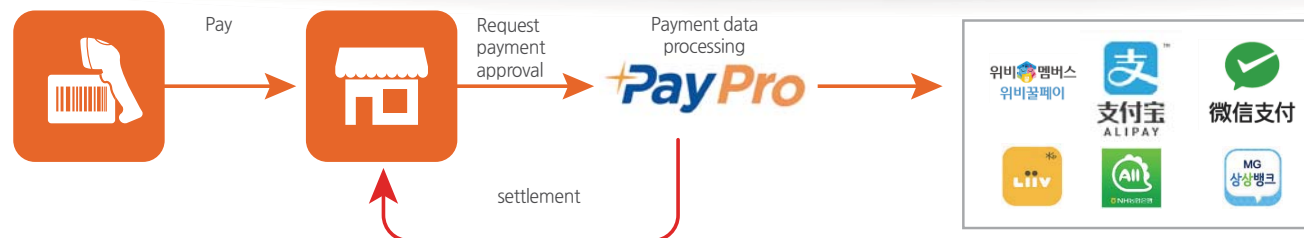
Realizing high growth through development of B2B PG market and securing partnership with prominent O2O start-ups



Has secured “Baemin” and “GoodChoice”, the most prominent O2O business operators in Korea, as clients

In 1H 2018, gross transaction value and revenue increase by **42.0%** and **40.8%** year-on-year, respectively.

### Integrated O2O payment platform



**One Point,  
All Pay “PayPro”**

Accumulated number of merchants: 25,000,  
Gross transaction value in 1H 2018 : KRW 268 billion

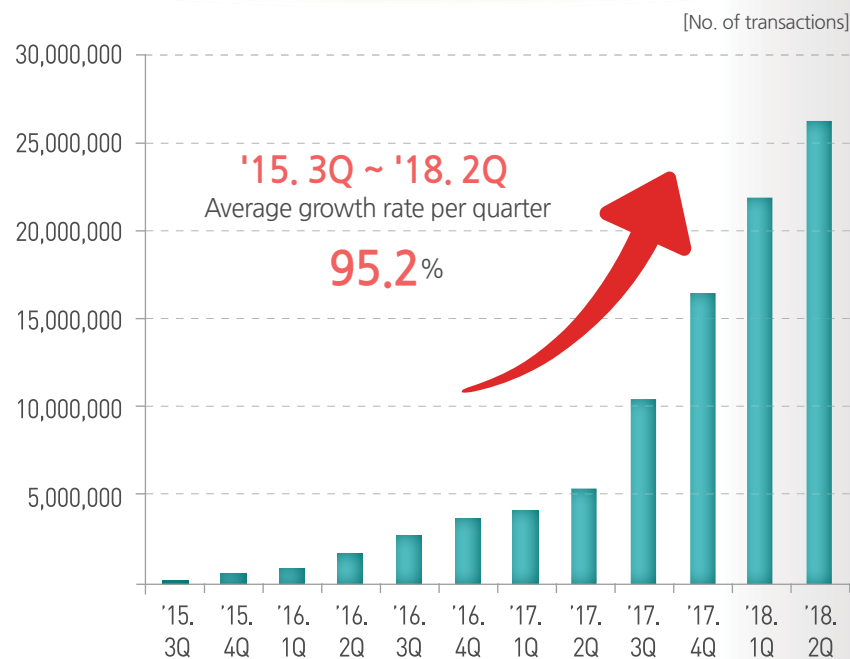


## II-1. Continuous growth through differentiated competitiveness

### ③ Mobile VAN : 1<sup>st</sup> mover of mobile payment market in Korea

NICE I&T is the sole developer and supplier of 'AppCard common module', and leading payment platform business for major mobile payment players in Korea such as Kakao and SSG

No. of mobile payment transactions processed by NICE I&T



Business partners of NICE I&T's mobile payment service



## II-1. Continuous growth through differentiated competitiveness

### ④ Overseas Market : Entering into fast growing Southeast Asian PG markets preemptively

Securing growth momentum through entering into e-commerce payment markets of Southeast Asia in an early stage of growth

Indonesia's GDP is USD 930 billion and e-commerce transactions expected to be 14.5 billion in '21 (Central Bank of Indonesia)

Vietnam's GDP is USD 203 billion and e-commerce transactions expected to be 10 billion, in '22 (IDG)

#### Entrance into PG market in Indonesia

- Invested in a PG company(ION PAY) in Indonesia(July 2015)
- Launched NICE Pay service, a customized PG service for Indonesian market based on high level PG system and sophisticated service (April 2016 [www.nicepay.co.id](http://www.nicepay.co.id).)
- Acquired major stakes(66.7%) in ION PAY to make a subsidiary in December 2017

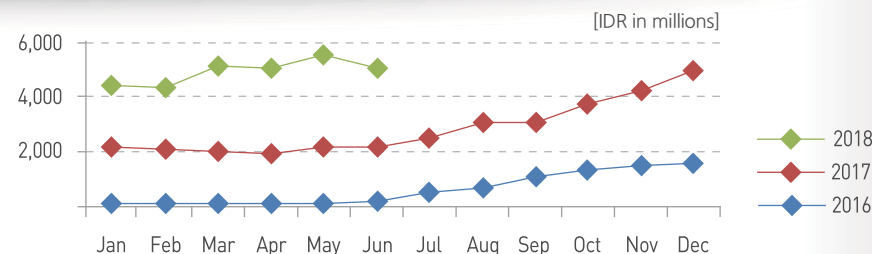


#### NICE I&T's presence in Vietnam

- Established Vietnam office(2011) and started to build local business partnerships
- Established NICE INFO VINA (Financial Infrastructure Consulting) in November 2016
  - NICE I&T owns 60%
  - (NICE Information Service owns 40%)
- Established NICE RETAIL VINA(Marketing Consulting) in December 2017
  - NICE I&T owns 50%(KIS I&T owns 50%)
- Established NICE TECH CENTER (PG service) in April 2018

#### PT. IONPAY revenue trend

- Revenue growth at 135.2% (YOY) in 1H, 2018(Refer to the graph on the right for IONPAY revenue trend after January 2016)
- Contracted mega shopping malls and Korean companies in Indonesia as major clients
- Number of transactions which was 42,000 per month in January 2016, skyrocketed to 6.23 million in June 2018



## II-2. Excellent Financial Structure

Highest level of financial stability / Rapid increase in cash and cash equivalents / large treasury stock

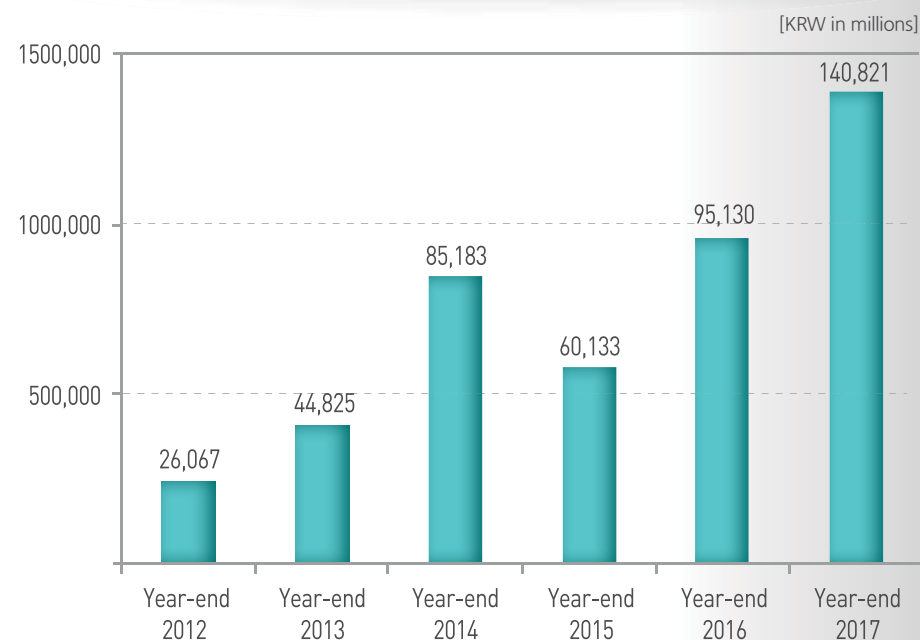
### Summary Financial Ratios

[in per cent]

	Description	DEC, 2015	DEC, 2016	DEC, 2017
Growth Potential	Total Asset Growth	18.3	-16.6	10.9
	Total Revenue Growth	17.0	4.8	-12.0
Profit-ability	Return on Investment	11.4	11.8	12.7
	Operating profit margin	12.9	17.3	17.9
	Interest coverage Ratio	7,327.9	9,400.7	9,074.8
Stability	Additional paid-in capital and RE to shareholders' equity	96.2	96.9	99.0
	Current ratio	123.0	153.1	180.7
	Debt-to-assets	8.6	9.1	8.2
	Equity-to-asset ratio	42.7	62.9	66.3
	Debt ratio	134.4	59.1	50.7
Activity	Total asset turnover	1.0	1.0	1.0
	Receivable turnover	10.6	9.1	7.3

\* Spin-off of PG Business into NICE Payments in 2016

### Cash and Cash Equivalents



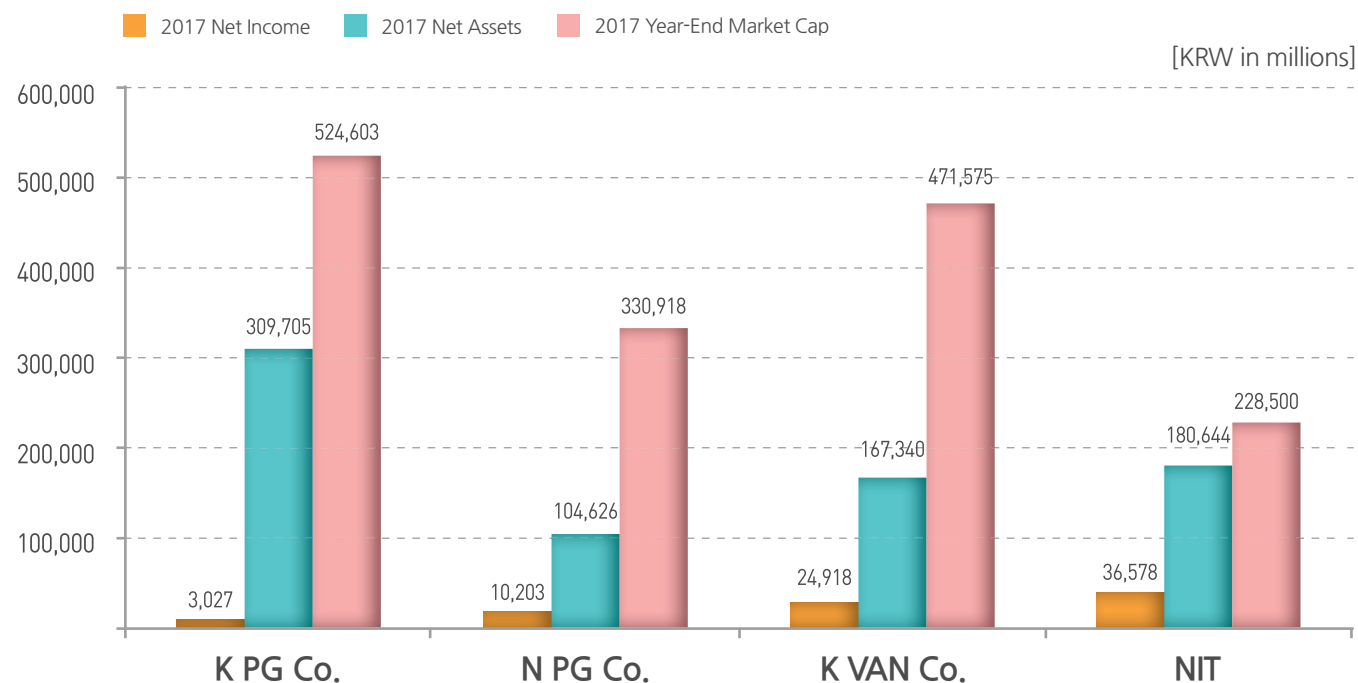
\* Acquisition cost for PG business of AEGIS Enterprise was paid out in June 2015

KRW 140.8 billion of cash reserves at the end of 2017 (56% of market Cap., KRW 61.1 billion when PG deposits are excluded)  
Holding 499 thousand treasury stocks as of the end of June 2018 (share rate: 5%)

## II . NICE I&T Investment Points

Market average of three peer-group payment service companies in 2017

: PER 74.9, PBR 2.6x NICE I&T: PER 6.2, PBR 1.3x → Attractive Valuation merit highlighted



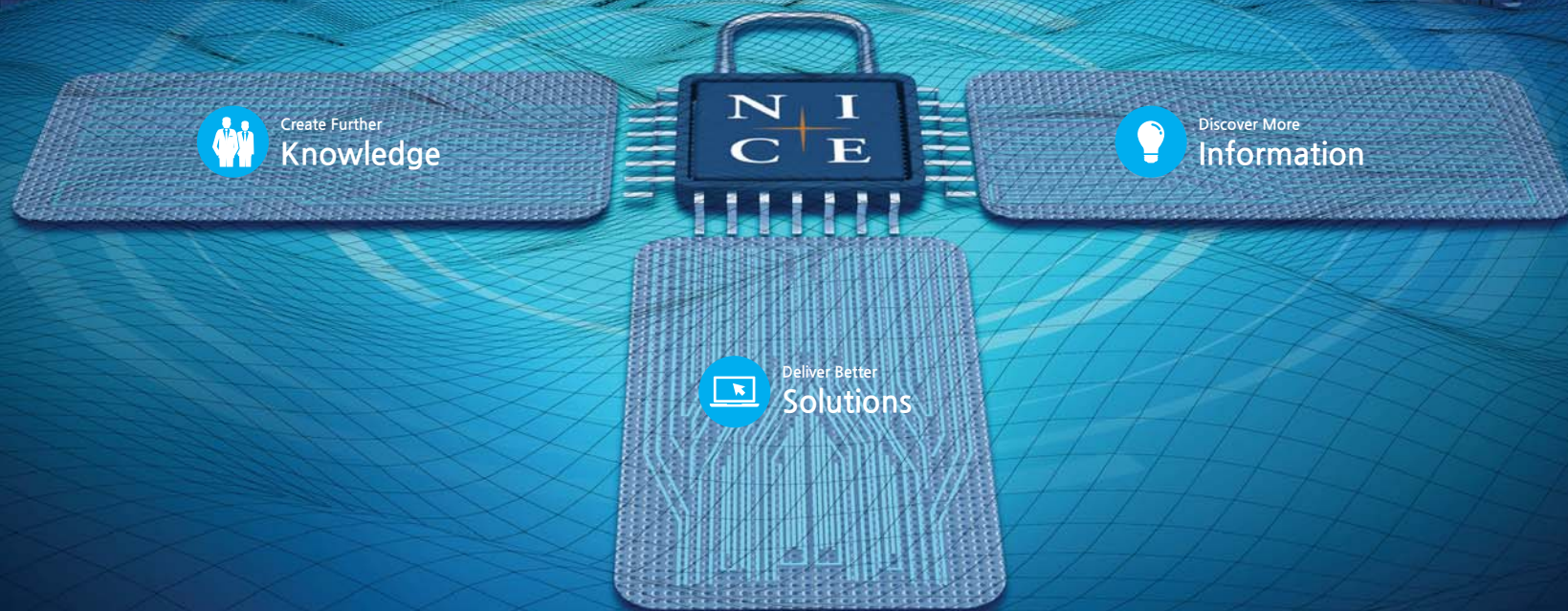
PER at year-end 2017 :	173.3	32.4	18.9	6.2
PBR at year-end 2017 :	1.7	3.2	2.8	1.3



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# ※ Appendix

1. Company Profile
2. Financial Highlights



# 1. Company Profile



NICE I&T, a leading company in payment processing industry in Korea

<b>Name</b>	NICE Information & Telecommunication, Inc
<b>CEO</b>	Kim Yong-guk
<b>Established</b>	May 12, 1988
<b>Headquarters address</b>	(07237) 17 Eunhaeng-ro, (Yeouido-dong) Yeongdeungpo-gu, Seoul, Korea
<b>No. of employees</b>	168 persons (as of June 2018)
<b>Paid in Capital</b>	KRW 5 Billion
<b>IPO date</b>	April 30, 2000 (KOSDAQ)
<b>Major shareholders</b>	NICE Holdings (42.7%), NTAsian (11.0%), Fidelity (10.0%), VIP Management & Research (5.6%), Korea Investment Value Asset Management (2.8%), Treasury Stock (5.0%), etc.
<b>Major business</b>	Card VAN service, Cash receipt processing service PG service, Escrow service Electronic voucher service, Membership service

## 2. Financial Highlights

### Summary Consolidated Balance Sheet

[KRW in millions]

Description	2015	2016	2017	Jun 30, 2018
Current Assets	204,381	281,793	395,946	423,346
Non-current Assets	86,555	95,139	98,251	95,525
<b>Total Assets</b>	<b>290,935</b>	<b>376,933</b>	<b>494,197</b>	<b>518,872</b>
Current Liabilities	166,098	224,193	312,903	321,803
Non-current Liabilities	876	990	650	702
<b>Total Liabilities</b>	<b>166,974</b>	<b>225,184</b>	<b>313,554</b>	<b>322,505</b>
Paid-in Capital	5,000	5,000	5,000	5,000
Other Paid-in Capital	5,113	5,113	177	302
Other Capital Surplus (loss)	-19	37	75	57
Retained Earnings	113,868	141,599	174,454	188,829
Noncontrolling interests	-	-	937	2,179
<b>Total Equity</b>	<b>123,961</b>	<b>151,749</b>	<b>180,644</b>	<b>196,367</b>

### Summary Consolidated Comprehensive Income Statement

[KRW in millions]

Description	2015	2016	2017	Six Months Ended Jun 30, 2018
Revenue	263,883	317,066	366,437	201,453
Gross Profit	76,459	106,072	116,443	56,372
Operating Income	34,161	47,210	43,124	18,281
OP Margin	12.9%	14.9%	11.8%	9.1%
Income Tax	8,652	10,651	12,165	6,181
Net Income	30,525	30,315	36,577	17,529
Net Profit Margin	11.6%	9.6%	10.0%	8.7%

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