

Vatech

Investor Relations 2019

NDR (with SHINHAN INVESTMENT CORP.)

Investor Relations Team

January 14~15, 2020

www.vatech.co.kr

vatech

Disclaimer

The financial information in this document is based on the consolidated earnings results complying with K-IFRS.

This document contains "forward-looking statements".

In this context, "forward-looking statements" often address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "seeks" or "will".

These uncertainties may cause our actual results to be materially different from those expressed in this document.

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Company Profile

I. Business Overview

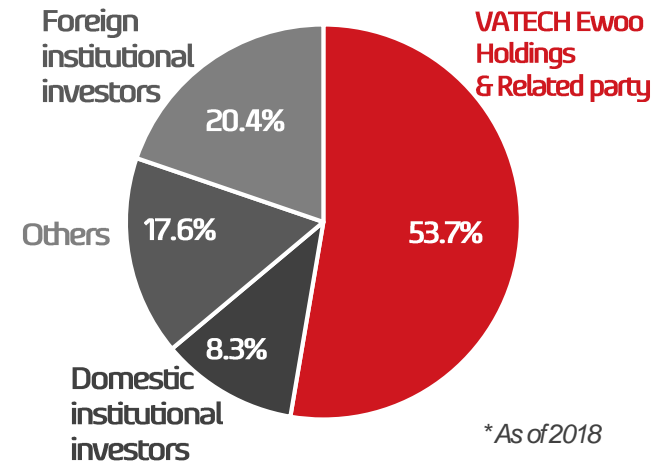
▶ General information

Company name	Vatech (KOSDAQ : 043150) <KRX300>
CEO	Hyun, Jung Hun
Establishment	April 4, 1992
Main business	Digital Dental X-ray Imaging System
# of Employees	283
Capital	KRW 7,427 mil
Listed date	September 29, 2006

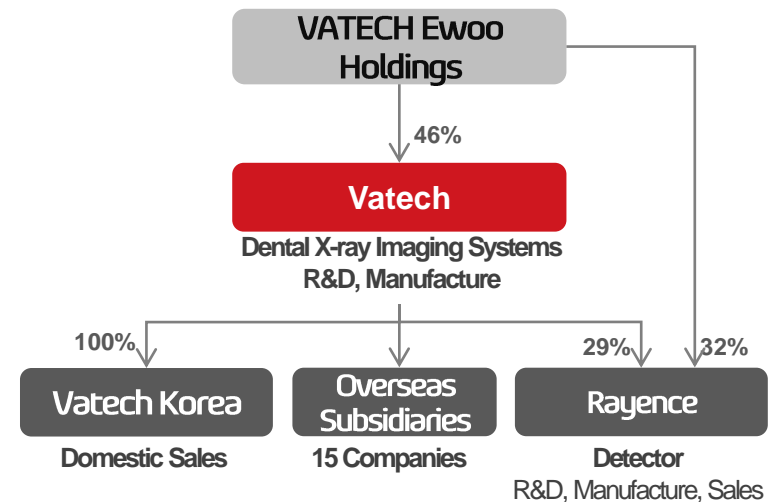


Buildings view in Dong-tan area, Gyeonggi province

▶ Ownership structure



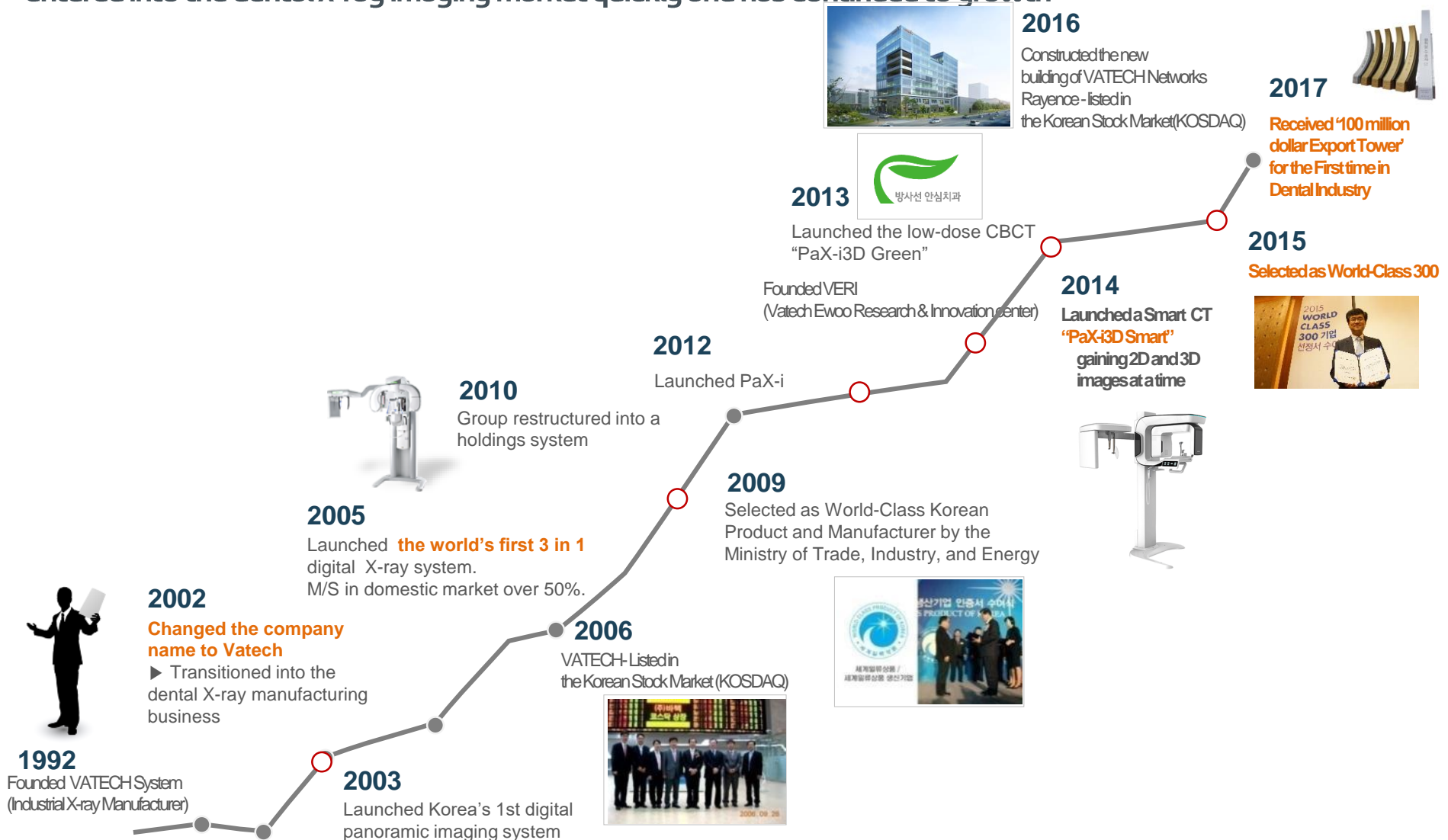
▶ Organization



History

I. Business Overview

Based on innovative technology and marketing capabilities, the company entered into the dental x-ray imaging market quickly and has continued to growth



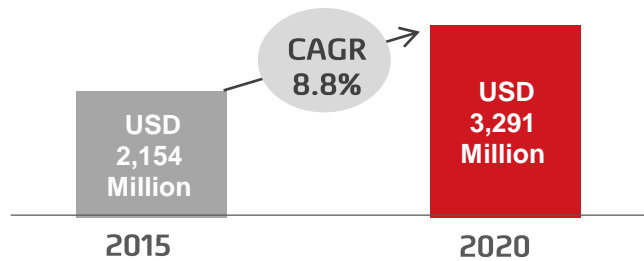
Digital Dental X-ray Imaging Market #1

I. Business Overview

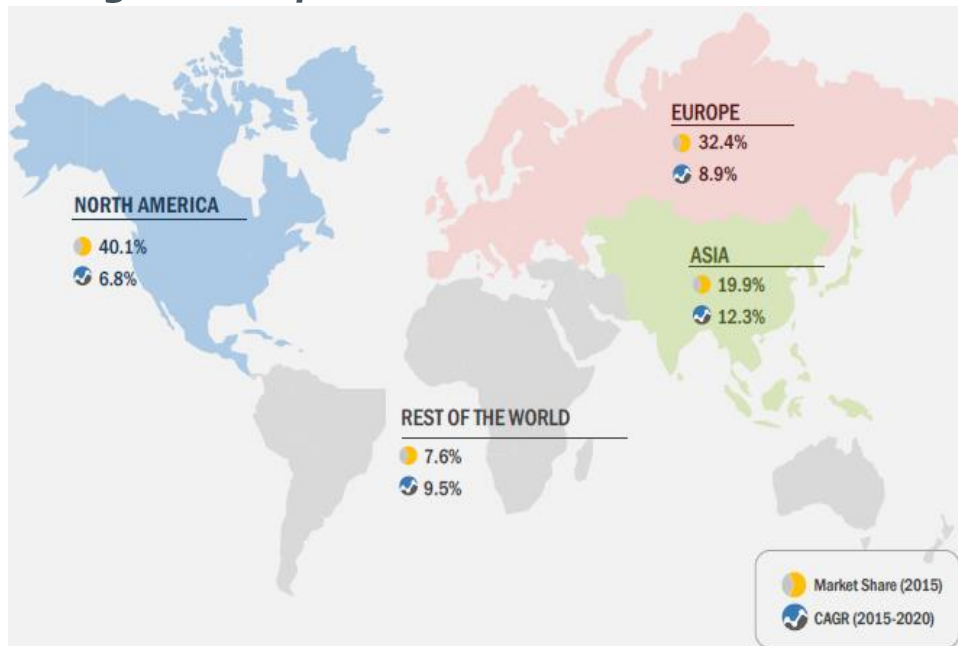
Dental imaging industry continues to grow at about 9 % annually.

In recent years, we have recorded approximately 15 % annual sales growth, which is over the market average.

► Dental Digital X-ray Imaging Market



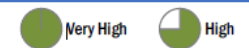
► Regional Size/Growth



► Growth Factors

Key drivers	Importance
1. Technological advancements (Economical, technologically advanced, and easy-to-use)	●
2. Reduced diagnosis time and improved cost saving (Conventional → Digital)	●
3. Growing adoption of CBCT (CAGR of 10.4% from '15 to '20)	●
4. Increasing number of dental disorders	●
5. Rapidly growing aging population(ex. implants)	◐
6. Growing demand for cosmetic dentistry (ex. polishing, restorative dentistry)	◐

Opportunities	Importance
1. Low penetration of advanced dental digital X-ray systems	●
2. Growing medical tourism (to India, Singapore, Taiwan, Mexico, Hungary, Poland, Turkey)	◐
3. Emerging markets - Increasing disposable income - Middle-class population from 1.8 billion in 2009 to 4.9billion by 2030	◐



Source: MarketsandMarkets, 2015, "Dental Digital X-ray Market - Global Forecasts to 2020"

Digital Dental X-ray Imaging Market #2

I. Business Overview

1st in Korea / 3rd in Global - the number of M/S top-ranked countries is steadily increasing.

► Major Global Players :

It is estimated that Vatech ranks 3rd.



- US PEF company (Listed in NYSE)
- 7 dental imaging companies



- Spin-off from Siemens as a dental company
- Merged with Dentsply (Listed in NASDAQ)



- **Only One Dental Imaging X-ray Specialty Company in the world** (KOSDAQ, KRX300, KOSDAQ150)
- About 5,800 units, Based on 2017 Sales



- Finnish Dental Total Solution Company



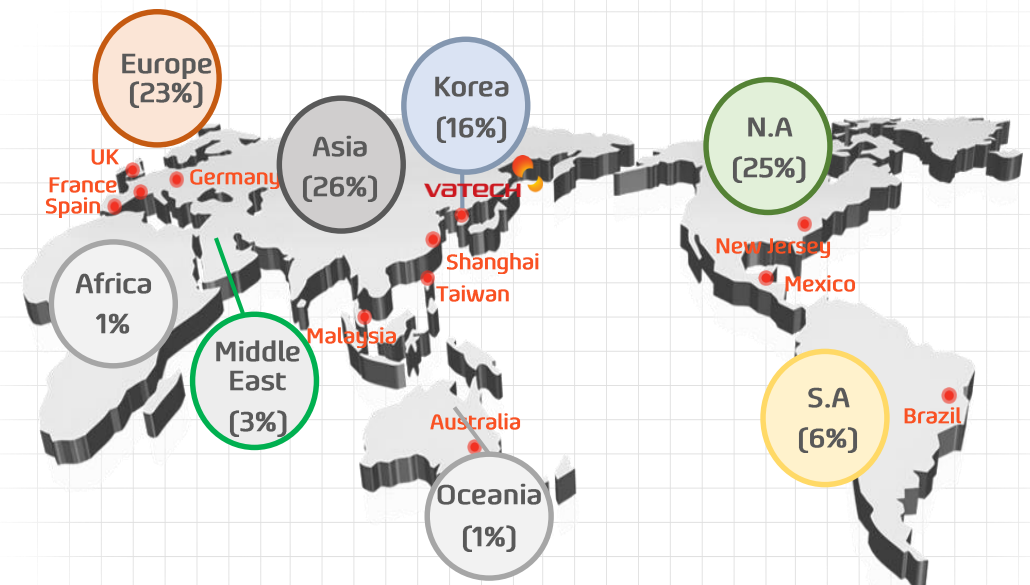
- Formerly, Kodak Healthcare

► Regional sales breakdown

* Domestic - Mainly direct sales

* Overseas - Sales through distribution channels over 100 countries

- 15 overseas subsidiaries supporting A/S and marketing



* Based on 2018 Sales

Products #1

Full line-up dental digital x-ray imaging systems; Extra-oral (2D, 3D) & Intra-oral

EOX (Extra-Oral X-Ray)

2D / 2.5D

- for detecting dental caries
- for orthodontics

PaX-i™



2D



Panorama

PaX-i Insight™



Multi-Layer
(2.5D)



Cephalo

3D



- for implant surgery & orthodontics
- for plastic surgery and otolaryngology

Low dose (Green) Value, Short Scan Time

Green 16™



FOV
16X9

Green 18™



FOV
18X10

Green 21™

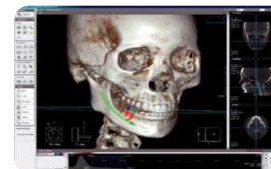


Large FOV
21X19

Green Smart™



1 scan, 2 images
(2D, 3D)



Full line-up dental digital x-ray imaging systems; Extra-oral (2D, 3D) & Intra-oral

IO (Intra-Oral) X-Ray / Sensor / Scanner

IOX

- for diagnosis of 2~3 teeth
- utilized with extraoral equipment
- Solely used in emerging markets having less purchasing power

EzRay Air™ Portable



EzRay Air™ Wall



EzRay™ Chair



World-first commercialization of Medical CNT
* CNT : Carbon Nano Tube



IOS

- Bends to fit patient's mouth
- Reduce the number of retakes
- Reduce radiation dose

EzSensor Soft™



Only one soft dental sensor in the world



IOSc

- Intra Oral Scanner

EzScan™



3D Oral Scanner

* **Launched May 2019**

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II. Business Strategy

1. Differentiated Products

2. Market Leading Technology

3. China Dental Imaging Market Growth







4. Intra-Oral 3D Scanner (EzScan)

5. New Business : Zirconia Blocks


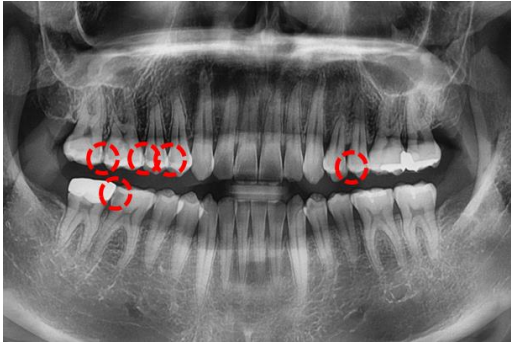
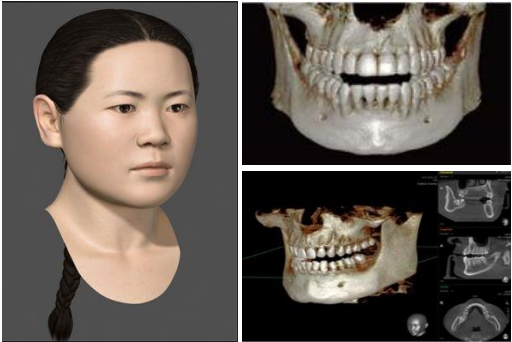
Differentiated Products

II. Business Strategy

Extension of global market power and dominance in the targeted segments through providing differentiated customer values.

			
Product	<p><u>Eco-friendly / Low-dose Premium</u></p>  <p>Green 16™ Green 18™ Green 21™</p>	<p><u>Cost leadership in 3D Entry</u></p> 	<p><u>Paradigm Shift in 2D Diagnostics</u></p> 
Winning Feature	<ul style="list-style-type: none"> ● Green Value (1.9sec) ● Providing customized value to specialized field (Large FOV_Sinus, TMJ, ENT) 	<ul style="list-style-type: none"> ● World first, 2D/3D simultaneous image by one sensor → Advantage in Cost / Price 	<ul style="list-style-type: none"> ● Fast Scan-Ceph(1.9sec) ● Superior Image Quality ● User-oriented software
Status / Strategy	<ul style="list-style-type: none"> ● Green Category Settlement & Diffusion (Green 16/18/21) - Spreading to North America, Europe, Taiwan 	<ul style="list-style-type: none"> ● China Launching 2Q18(E) 	<ul style="list-style-type: none"> ● Depth Information used by Multi-layer images ● Realign the 2D market with PaX-i Insight
Target Segment	<ul style="list-style-type: none"> ● Advanced Market - USA, Germany, France, Italy 	<ul style="list-style-type: none"> ● Chia / USA / Italy / France / Spain ● Taiwan, Russia 	<ul style="list-style-type: none"> ● Exclusive category (2.5D) ● Domination in RC market (Latin America, India, Iran)

Creating new paradigm in dental market by utilizing world-first and market-leading technology.

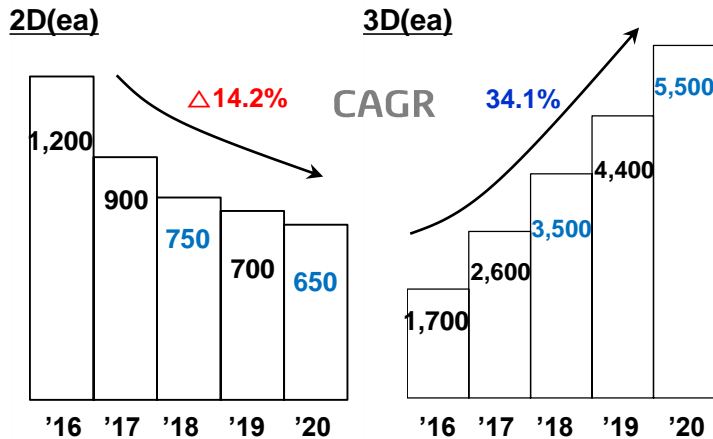
World-first commercialization of Medical CNT	Successful commercialization of AI technology thanks to continuous investment of S/W	
<p data-bbox="349 512 734 579">Ultra-light Intraoral X-ray, launching EzRay Air</p> 	<p data-bbox="1059 496 1420 563">Automated detection of interdental caries</p> 	<p data-bbox="1585 512 2007 547">3D tooth separation system</p> 
<ul data-bbox="174 1027 913 1422" style="list-style-type: none"> • Launching : Domestic Market '16. 4Q Overseas Market '17. 1Q • Half-weight compared to competitors' products <ul data-bbox="203 1214 797 1299" style="list-style-type: none"> - Minimizing the ankle burden for women staff holding a standard X-ray. • Extension of Digital Entry market power through IOS Package 	<ul data-bbox="987 1027 1458 1305" style="list-style-type: none"> • Automatic detection of dental liver diseases using big data • Increasing revenue through PKG sales by combining the existing imaging equipment 	<ul data-bbox="1532 1027 2056 1283" style="list-style-type: none"> • Prediction/Simulation of changes after surgery such as orthodontic, tooth extraction and implants. • Entering into new business such as diagnosis / prediction system

China Dental Imaging Market Growth

II. Business Strategy

Rapid expansion with Green Smart in the big segment of China's rapidly growing 3D EOX market

China EOX Market Size



(Source : Market Research by Vatech China, September 2018 Den Tech China in Shanghai)

Korea's Vatech poised to enter 3D dental X-ray market in China

Pulse
Korea's Vatech poised to enter 3D dental X-ray market in China



Vatech, a Korean dental imaging solution provider, said on Thursday it has won medical device certification for its Green Smart X-ray system from Chinese regulators, paving the way into the 3D dental imaging system market in China. The company is a leader in the 2D dental imaging system market in China with a market share of more than 20 percent. It also aims to become a top provider in the higher-level market where the value grows more than 30 percent each year. The company's latest brand concept has helped position itself as a company with unique technologies to enable convenient floor-standing and ultra-fast imaging. The new imaging system is equipped with innovative 3D software to increase the accuracy of dental implant placement. Shares of Kosdaq-listed Vatech finished Thursday 0.8 percent lower at 26,420 won.

- China's EOX Market recently recoded rapid 3D growth
- 2D Market growth stagnation

(Source : Maeil Business Newspaper, June 14, 2018)

vatech
Market Position & Strategy

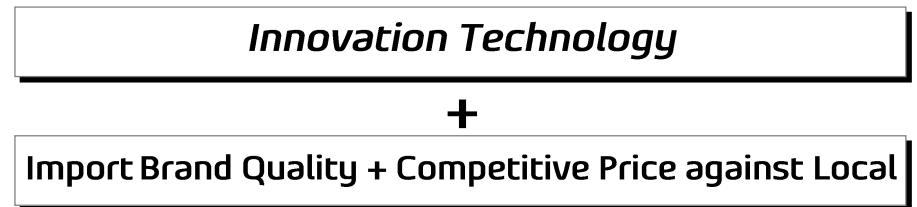
<2D Market>

- Success in securing market share No.1 in China
- Retention of manufacturing facilities in Shanghai

<3D Market>

- **With Green Smart Certification (June 12, 2018),** accelerated our approach to the Chinese market
- **China Dental Imaging No.1 by 2020**
 - Add Premium Line up (Green Category)
 - Acquire 3D Manufacturing Certification

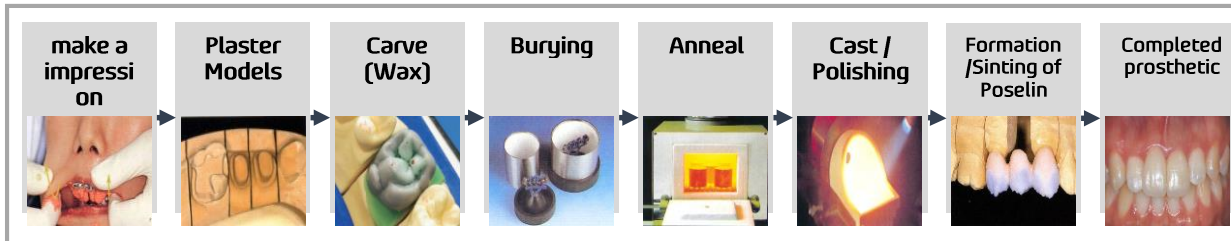
Green Smart Selling Strategy



➔ **Positioning as the Highest Value Product**

Entering the digital prosthetic market more than three times the digital diagnostic field.

Traditional Production Process



Fast EzScan™ Light

The Hidden Tech. of "Fast Scan Time"

Not too small, Not too big. Find Optimized Size from a number of tests.

1) small enough to scan distal molar.
2) big enough to scan wider area at the same time.

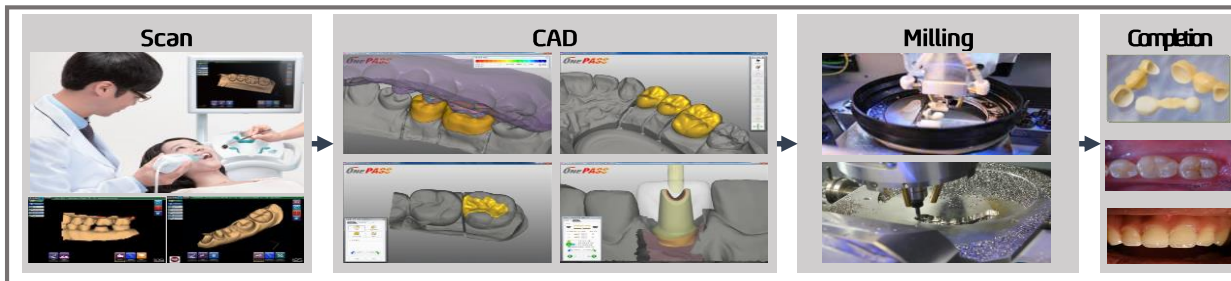
Losing weight, It's "170g".

As light As a toothpaste! Enjoy lightness!

simple

More

CAD/CAM manufacturing process



Simple "One Button / Touch"

One button for start and stop scan.
Touch screen gives you a simple workflow.

Scan and Play Music

Check a scan status with eyes and hearing!
You see the patient, but also you can see how well the scan goes by listening music.

Product	CS3600	OmniCAM	Trios3
Image			
Company	Carestream	Dentsply Sirona	3shape
Product ASP (KRW)	30M late ~ 40M early	70M late	40M Mid

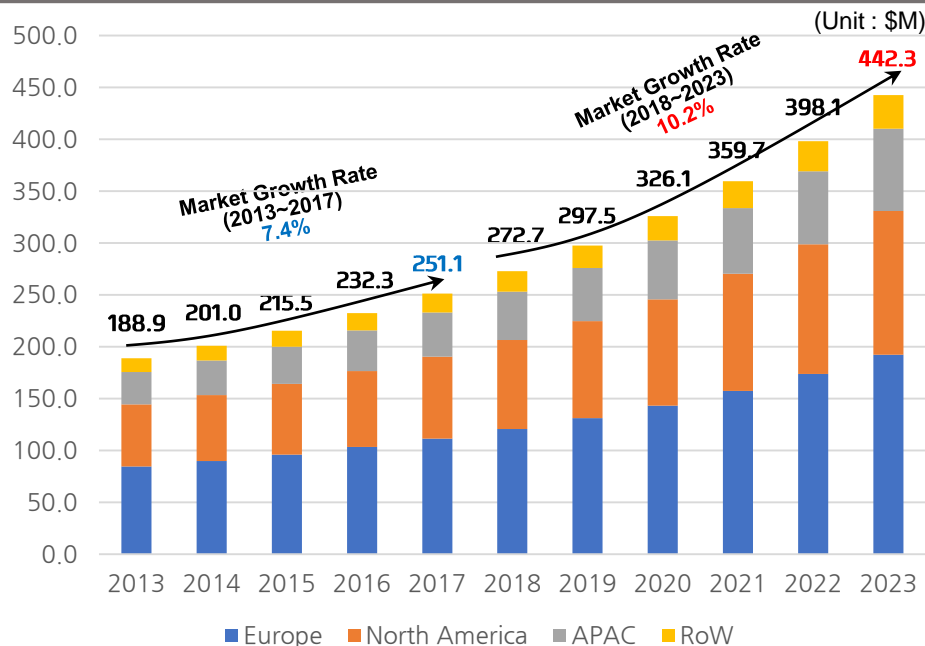
Entering the digital prosthetic market more than three times the digital diagnostic field.

Global Intra-Oral Scanners Market Summary

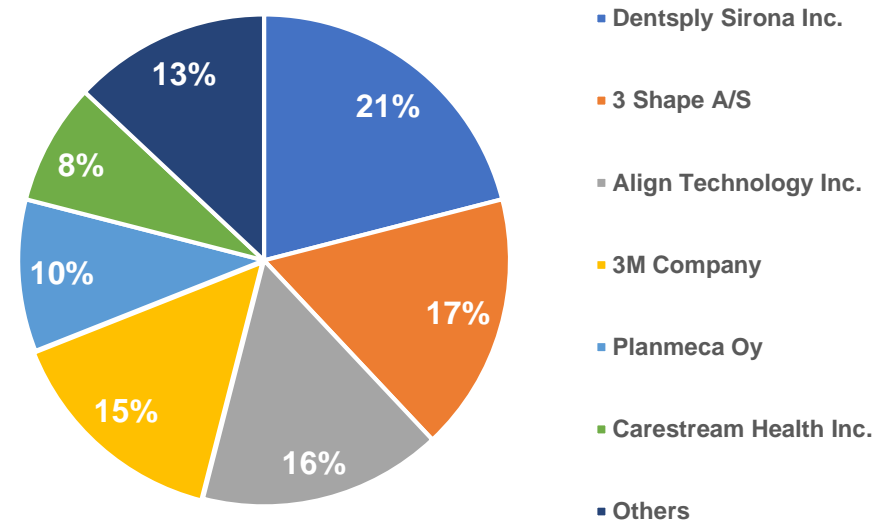
(Source : Secondary Research; Expert Interview; Intraoral Scanners Market by P&S Market Research Analysis)

DRIVERS	RESTRAINTS	Market (Largest / Fastest)
<ul style="list-style-type: none"> ◆ Increasing prevalence of dental problems ◆ Growing geriatric population ◆ Improving accuracy of intra-Oral scanners 	<ul style="list-style-type: none"> ◆ Scarcity of skilled professionals and advanced healthcare infra structure ◆ High cost of intra-Oral scanners 	<p>Largest Market, by Country (2017): U.S. (\$70.8 million)</p> <p>Fastest Growing Market, by Region (2018-2023): APAC (CAGR: 11.2%)</p>

Global Intra-Oral Scanners Market Growth (By Region)



Global Intra-Oral Scanners Market Share (By Key Players, 2016)



Create New Growth Engine via Zirconia

Market situation

- The introduction of the Korean market in 2008
- Market trend
 - A rise in gold prices
 - The expansion of penetration CAD/CAM system

Market scale

- Zirconia market scale : USD 7.5B
- Zirconia market scale in dentistry : USD 9B
 - Korean (2018) : USD 30M
 - Global (2017) : USD 850M

Source : Maximize – Global Zirconia Market(2018-2026)

Zirconia

• Before the introduction of Zirconia

Gold

- Strength : biocompatible, solidity
- Weakness : charged high, low in aesthetic

PFM (Porcelain Fused Metal)

- Strength : inexpensive
- Weakness: exposure of gum boundary



Combination of strengths

• After the introduction of Zirconia

Zirconia

- Manufacturing by using Milling machine
 - ① excellent solidity
 - ② outstanding biocompatible
 - ③ good in aesthetic
 - ④ low level of heat conductivity
 - ⑤ reduced labor cost
 - ⑥ increasing productivity
 - ⑦ process of work simplification
- Growth with CAD/CAM system

Enter into the high growth field as Digital prosthetic dentistry

Dental Digital Prosthetic Workflow



Rayence process

Powder Manufacturing Process (RY)



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Q3 Achieved historical Sales and Operating Profit

III. Financial Information (Consolidated)

(Q3 '19) Sales 64,959M KRW (YoY +18.5% / QoQ -10.5%), Operating Profit 10,297M KRW (YoY +26.8% / QoQ -20.3%)

Net Profit 8,927M KRW (YoY +68.6 / QoQ -22.2%), Profit, attributable to owners of parent 8,349M KRW (YoY +70.4% / QoQ -23.4%)

(unit : M KRW, %)

	Q3 '19	QoQ	Q2 '19	Q3 '18	YoY
Revenue (Sales)	64,959	-7,634 (-10.5%)	72,593	54,836	+10,123 (+18.5%)
Cost of Sales	34,300	-5,675	39,975	30,210	+4,090
Gross Profit	30,659	-1,959 (-6.0%)	32,618	24,626	+6,032 (+24.5%)
SG&A (Selling General Administrative Expenses)	20,361	+661	19,700	16,504	+3,858
Operating Profit	10,297	-2,621 (-20.3%)	12,918	8,122	+2,175 (+26.8%)
Profit Before Tax	13,050	-3,271 (-20.0%)	16,320	7,352	+5,698 (+77.5%)
Income Tax Expense	4,123	-721	4,844	2,045	+2,078
Net Profit	8,927	-2,550 (-22.2%)	11,476	5,307	+3,619 (+68.2%)
Profit, attributable to owners of parent	8,349	-2,546 (-23.4%)	10,895	4,899	+3,449 (+70.4%)
Profit, attributable to non-controlling parent	578	-4	582	408	+170
Earning Per Share	562	-171	733	330	+232
Gross Profit Rate (%)	47.2%	+2.3%p	44.9%	44.9%	+2.3%p
Operating Profit Rate (%)	15.9%	-1.9%p	17.8%	14.8%	+1.0%p
Net Profit Rate (%)	13.7%	-2.1%p	15.8%	9.7%	+4.1%p

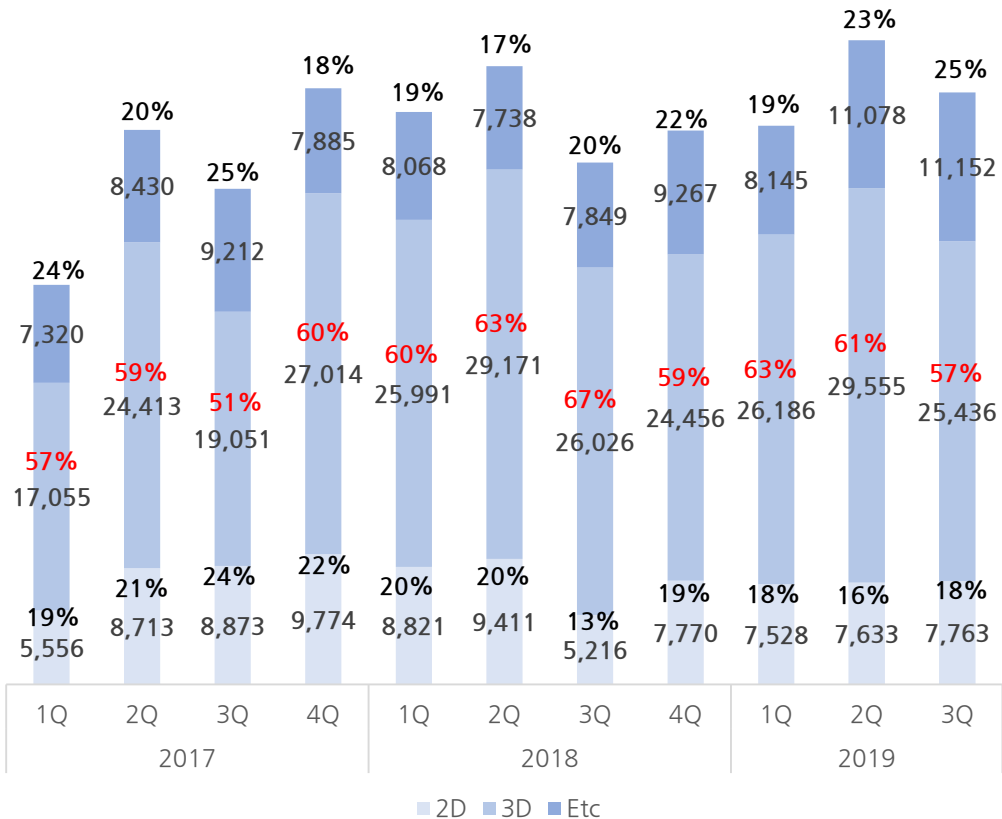
Q3 '19 Results / Strategy

III. Financial Information By Product (Separated)

[Q3 '19] Total Revenue 44,350M KRW - 3D 25,436M KRW (57.4%) / 2D 7,763M KRW (16%) / Etc 11,152M KRW (25.1%)
 [Q3 '18] Total Revenue 39,092M KRW - 3D 26,026M KRW (66.6%) / 2D 5,216M KRW (13.3%) / Etc 7,849M KRW (20.1%)

Sales Breakdown by Product (unit : M KRW, %)

29,932 41,556 37,136 44,673 42,880 46,319 39,092 41,494 41,860 48,267 44,350



Q3 '19 Results

Increased IOS sales lead to significant other revenue growth

- IOS : Increase sales with growth in India/U.S. etc
- Other Revenue YoY +3.3B KRW, +42%, 7.85B → 11.15B KRW)

2D sales growth to increase revenue / weight

- 2D sales (%): Q3'18 5.22B KRW (13%) → Q3 '19 7.76 billion (17.5%)
- 3D sales down slightly Q3'18 26.0B KRW (66.6%) Q3'19 25.4B KRW (57.4%)

Strategy

Discovering growth engines linked to affiliates, including new product launches/entry into new businesses

- Continuing Market Leadership by Strengthening Customer Service
- Accelerate market diffusion with the launch of premium products

IOS&IOX Sales Expansion

Expanding Digital Dentistry (EzScan, etc.) / New Business and M&A

- IOS&IOX : Emerging Market's Mass Sales Expansion, Distribution Network Expansion/Reinforcement, Warranty
- Digital Dentistry Expansion / Concentrate the development of new businesses in collaboration with related companies such as dental materials business.

Q3 '19 Results / Strategy

III. Financial Information By Regional (Consolidated)

[Q3 '19] Asia 18,175M KRW (28.0%) / North America 14,456M KRW (22.3%) / Europe 16,062M KRW (24.7%) / Korea 8,714M KRW (13.4%)

South America 4,250M KRW (6.5%) / Middle East 2,612M KRW (4.0%) / Africa 56M KRW (0.1%) / Oceania 634M KRW (1.0%)

[Q3 '18] Asia 17,529M KRW (32.0%) / North America 12,671M KRW (23.1%) / Europe 9,418M KRW (17.2%) / Korea 9,338M KRW (17.0%)

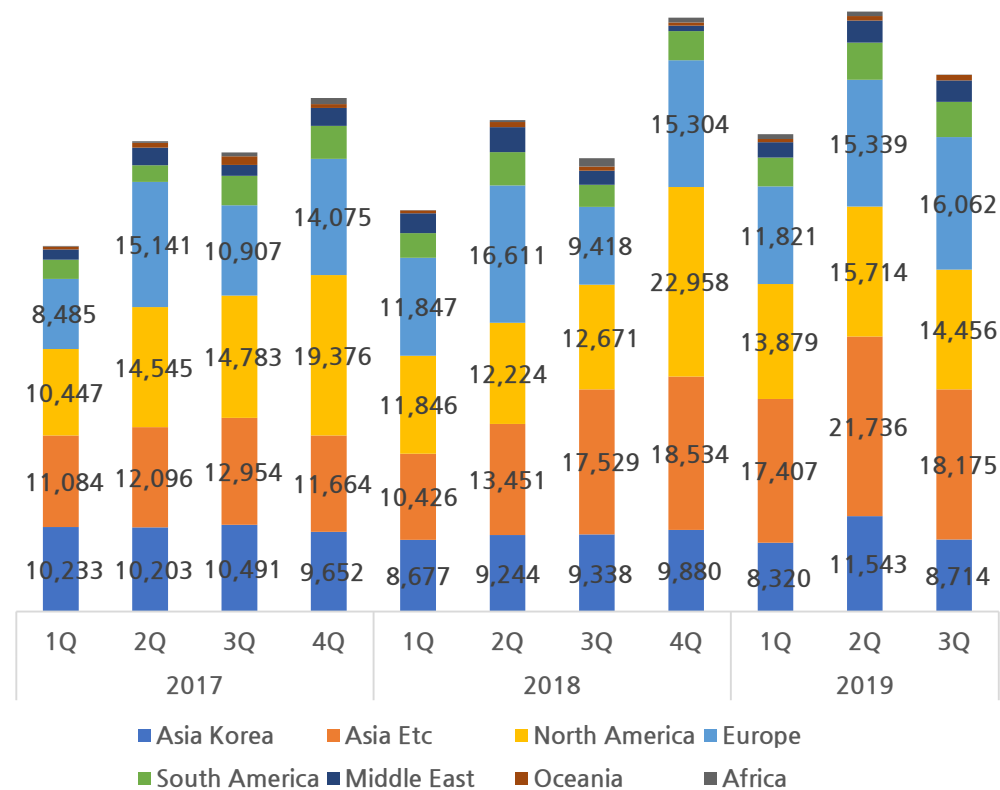
South America 2,671M KRW (4.9%) / Middle East 1,698M KRW (3.1%) / Oceania 521M KRW (1.0%) / Africa 990M KRW (1.8%)

[YoY] Asia +645M KRW (+3.7%) / North America +1,784M KRW (+14.1%) / Europe +6,644M KRW (+70.5%) / Korea -624M KRW (-6.7%)

South America +1,579M KRW (+59.1%) / Middle East +915M KRW (+53.9%) / Africa -933M KRW (-94.3%) / Oceania +113M KRW (+21.7%)

Sales Breakdown by Region (unit: M KRW, %)

44,239 56,909 55,541 62,119 48,570 59,444 54,836 71,841 57,746 72,593 64,959



Q3 '19 Results

Major Advanced Market Growth: Largely Expanded European Sales/Comparison, U.S. Sales Expansion

- Increase in sales/weight through supply contract of B2B in Europe
 - 3Q'18 9.4B (17.2%) → 3Q'19 16.1B (24.7%) (YoY +6.6B, +70.5%)
 - (1~3Q)'18 43.2B (22.1%) → (1~3Q)'19 37.9B (23.3%) (YoY +5.3B, +14.1%)

- U.S. sales growth (increased YoY for four consecutive quarters from Q4 '18)
 - 3Q'18 12.7B (23.1%) → 3Q'19 14.5B (22.3%) (YoY +1.8B, +14.1%)
 - (1~3Q)'18 36.7B (22.6%) → (1~3Q)'19 44B (22.6%) (YoY +7.3B, +19.9%)

Asia (including China) (accumulated) revenue growth – India/Vietnam/Malaysia

- 3Q'18 17.5B (32.0%) → 3Q'19 18.2B (28.0%) (YoY +0.65B, +3.7%)
- (1~3Q)'18 41.4B (25.4%) → (1~3Q)'19 57.3B (29.3%) (YoY +15.9B, +38.3%)

Strategy

Global M/S Expanded by Continuing to Sell in the Emerging Market

- High growth in emerging markets such as India/Mexico/Russia, and expansion of Global M/S
- China: Continuing Green Smart Sales, Certification of 3D Manufacturing, and Expanding 3D Sales and M/S by Expanding the Premium (Green 16/18) Line-up → M/S No.1 Target

Q3 '19 Financial Position

III. Financial Information (Consolidated)

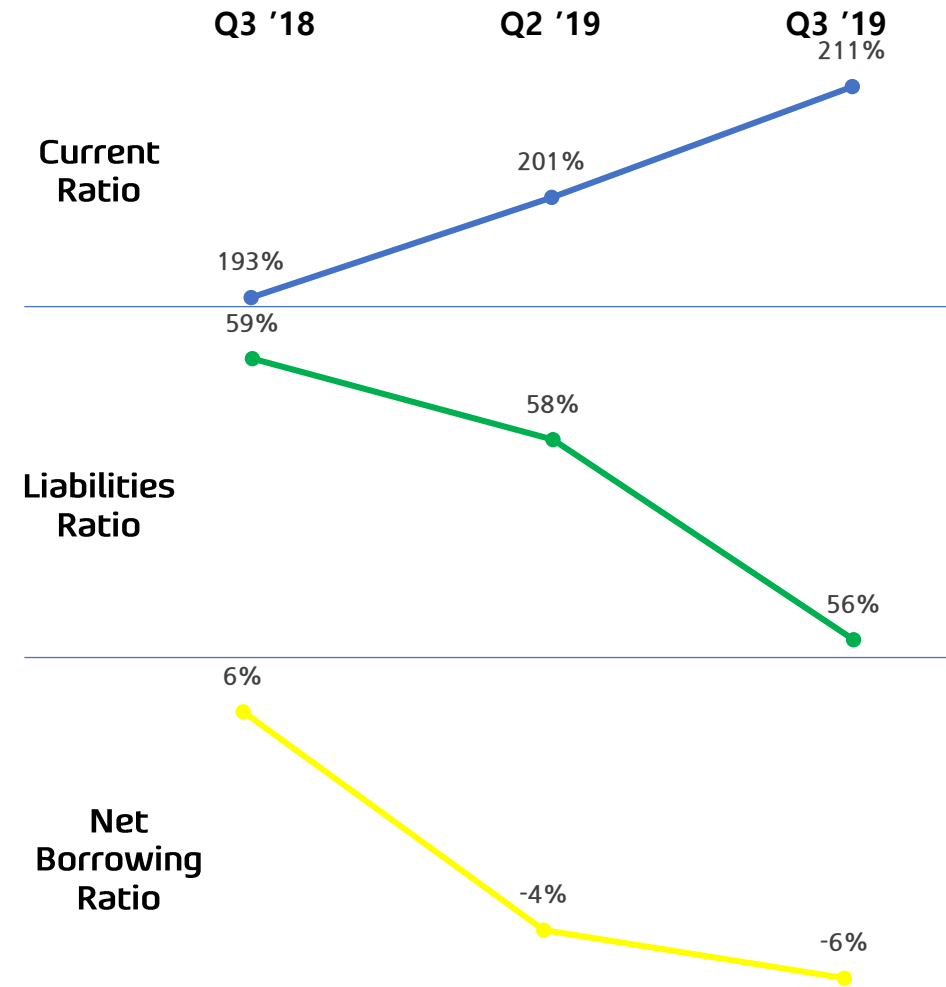
[Q3 '19] : Asset 388,249M KRW, Liabilities 139,264M KRW, Equity 248,985M KRW

QoQ (Q2 '19) : Asset +8,662M KRW, Liabilities -603M KRW, Equity +9,264M KRW (Long-term Borrowings -6.23B KRW)

YoY (Q3 '18) : Asset +38,115M KRW, Liabilities +8,895M KRW, Equity +29,220M KRW (Borrowings : Short -14.5B / Long -2.6B KRW)

(unit: M KRW, %)

	Q3 '19	Q2 '19	Q3 '18
Total Asset	388,249	382,322	350,134
Current assets	187,852	182,715	162,781
Cash and cash equivalents	34,762	36,162	22,330
Short-term deposits not classified as cash equivalents	11,816	11,512	12,500
Trade and other current receivables	58,574	58,698	52,894
Inventories	75,069	67,421	69,310
Non-current assets	200,397	199,607	187,353
Tangible assets	66,148	66,333	69,563
Investments in associates	97,708	96,312	94,590
Total liabilities	139,264	142,859	130,369
Current liabilities	89,197	92,525	84,500
Short-term trade Payables	46,489	42,144	37,896
Short-term borrowings	6,442	12,672	20,926
Non-current liabilities	50,066	50,334	45,869
Long-term borrowings	25,190	25,931	27,736
Total Equity	248,985	239,463	219,765
Controlling company equity	244,527	235,678	216,620
Retained earnings	230,871	222,265	200,750
Non-controlled equity	4,458	3,785	3,145



이 종목의 더 많은 IR정보 [확인하기](#)

IR GO 주주와 기업을 연결하고 응원합니다.