

Genians (263860.KQ)

Emerging as key player in advanced data security market

Company Note | Jan 9, 2023

※ Refer to page 3 for ESG indices/events

Amid accelerating digital transition, cyber security has become ever more important, particularly due to the growing implications of a cyber security incident. Genians' security solution business has been benefiting strongly from the ongoing move towards digitalization. The firm should enjoy robust earnings growth going forward, spurred by the start of an investment redemption cycle.

Cyber security to be key weapon in new digital era

The cyber security industry has been growing steadily as along with the global transition towards the digital era, related security threats have also increased. Steeply rising demand for non-face-to-face services following the Covid-19 pandemic breakout has further accelerated the pace of global digitalization. However, in line, cyber security threats have grown, with a security breach incident now to have overreaching implications.

As a data security software firm, Genians offers network access control (NAC), endpoint detection and response (EDR), and Genian policy inspector (GPI) solutions to help ensure the security of networks and devices.

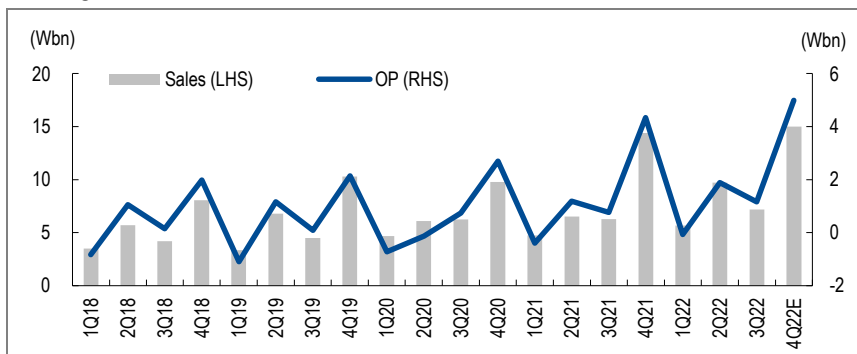
NAC business growing steadily; EDR business to become profitable

Emerging as a standard solution in Korea, Genian NAC, Genians' main product, enjoys a dominant market share. The solution's sales continue rising in line with both the network security market growth and a steady increase in the number of devices, including PCs, laptops, tablets, and IoT devices.

In addition to the stable growth of the NAC solution business, the firm's EDR solution business is also highly expected to be successful, as it is emerging as a next-gen security solution for mobile devices. As the first domestic company to develop an EDR solution, Genians has quickly pre-occupied the market in an early stage by securing the largest number of customers. With EDR solutions being adopted more widely these days, the firm is projected to generate a return on investment and enter a full-fledged profit growth trajectory.

Backed by both the steady growth of its NAC solution business and a rising number customers for EDR solution, we expect Genians to report record-high earnings for 2022 and 2023. Despite a recent earnings rally, its shares are trading at a 2022E P/E of 9.9x and a 2023F P/E of 7.9x, historical lows. We view the firm as deserving investor attention in light of upcoming earnings peak seasonality and likely steady earnings growth.

Earnings forecast



Source: Genians, NH I&S Research Center estimates

Not Rated

CP ('23/01/06)

W8,670

Sector	Software
Kospi/Kosdaq	2289.97 / 688.94
Market cap (common)	US\$65.2mn
Outstanding shares (common)	9.4mn
52W high ('22/03/28)	W12,300
low ('22/10/13)	W6,750
Average trading value (60D)	US\$0.34mn
Dividend yield (2022E)	1.46%
Foreign ownership	12.9%

Major shareholders

DB Lee & 4 others	42.5%
Miri Capital Management LLC	11.2%

Share perf	3M	6M	12M
Absolute (%)	8.9	11.4	-25.8
Relative (%p)	9.8	23.1	10.2

	2021	2022E	2023F	2024F
Sales	31.9	37.6	43.5	50.0
Chg	19.0	17.6	15.8	14.9
OP	5.9	8.0	10.8	13.3
Chg	127.9	34.9	35.0	23.1
OPM	18.5	21.2	24.7	26.5
NP	6.2	7.9	10.4	12.6
EPS	654	832	1,103	1,335
Chg	80.3	27.3	32.5	21.1
P/E	19.4	9.9	7.9	6.5
P/B	2.9	1.6	1.4	1.2
EV/EBITDA	15.0	6.3	4.7	3.4
ROE	16.2	17.6	19.8	20.0
Debt/equity	28.2	25.3	22.2	19.4
Net debt	-20.1	-24.0	-29.2	-35.6

Unit: Wbn, %, won, x

Note 1: NP excludes minority interest

Note 2: EPS, P/E, P/B, ROE based on NP (excl minority interest)

Source: NH I&S Research Center estimates



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Summary

Founded in Jan 2005 and listed on the Kosdaq in 2017, Genians is a data security software company, offering portfolios of data security packages and MRO services to the clients using its solutions. The firm's main solutions are: network access control (NAC), endpoint detection and response (EDR), and Genian policy inspector (GPI) solutions, all of which help ensure the security of networks and devices. The CEO Lee Dong-bum is the largest shareholder with a 30.32% stake.

Share price drivers/earnings momentum

- Expanding data security market
- Government's digital transition promotion policy

Downside risks

- Slowdown in data security market growth
- Delayed implementation of digital transition policy

Cross valuations

(Unit: x, %)

Company	P/E		P/B		ROE	
	2022E	2023F	2022E	2023F	2022E	2023F
Ahnlab	N/A	N/A	N/A	N/A	N/A	N/A
Fasoo	10.4	7.2	2.8	2.0	31.9	33.5
Wins	11.2	10.0	1.4	1.3	13.7	14.9
Igloo	N/A	N/A	N/A	N/A	N/A	N/A
EstSoft	15.5	10.3	N/A	N/A	10.8	N/A

Source: FnGuide, NH I&S Research Center

Historical valuations

(Unit: x, %)

Valuations	2020	2021	2022E	2023F	2024F
P/E	18.2	19.4	9.9	7.9	6.5
P/B	1.8	2.9	1.6	1.4	1.2
P/S	2.3	3.8	2.1	1.9	1.6
ROE	10.0	16.2	17.6	19.8	20.0
ROIC	14.9	43.9	59.4	66.1	67.7

Source: NH I&S Research Center

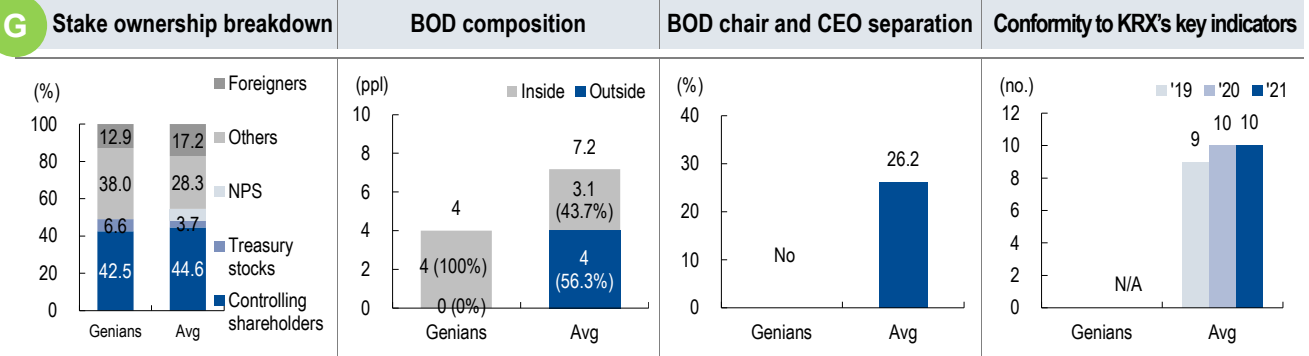
Historical key financials

(Unit: Wbn, won, %)

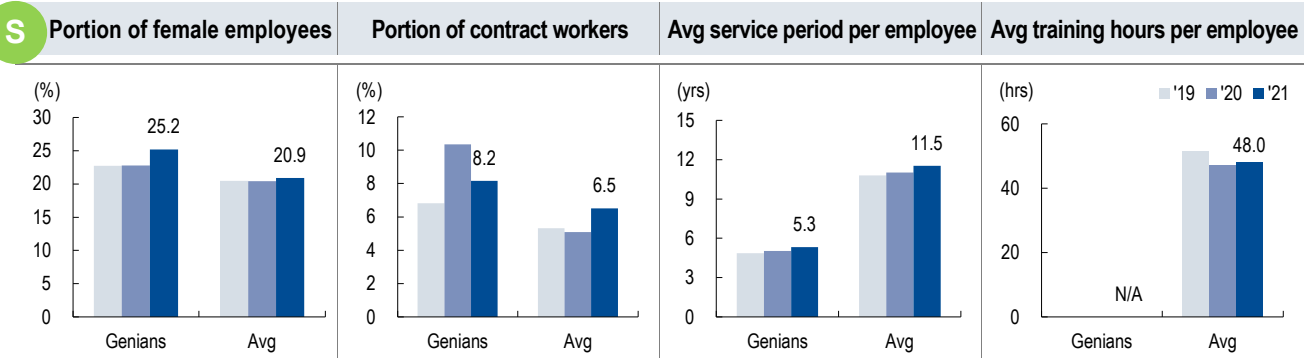
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales	N/A	N/A	15.5	20.6	20.8	21.4	24.9	26.8	31.9
OP	N/A	N/A	3.6	3.8	3.9	2.4	2.3	2.6	5.9
OPM (%)	N/A	N/A	23.0	18.5	18.5	11.0	9.2	9.7	18.5
Pre-tax profit	N/A	N/A	3.3	3.8	4.2	2.7	2.6	2.8	7.2
NP	N/A	N/A	3.0	3.3	3.5	2.6	3.1	3.4	6.2
NP (excl minority interests)	N/A	N/A	3.0	3.3	3.5	2.6	3.1	3.4	6.2
EBITDA	N/A	N/A	3.8	4.0	4.2	2.8	3.0	3.5	6.7
Capex	N/A	N/A	0.1	0.6	1.6	3.2	0.4	0.1	0.2
Free cash flow	N/A	N/A	2.6	4.5	0.7	-0.1	1.4	3.8	5.5
EPS (won)	N/A	N/A	477	520	414	280	329	363	654
BPS (won)	N/A	N/A	1,531	2,536	3,380	3,390	3,585	3,698	4,354
DPS (won)	N/A	N/A	0	0	51	0	0	0	120
Net debt	N/A	N/A	-10.4	-15.0	-19.0	-19.1	-15.2	-20.6	-20.1
ROE (%)	N/A	N/A	30.0	22.0	13.6	8.3	9.4	10.0	16.2
ROIC (%)	N/A	N/A	N/A	50.6	49.5	21.3	13.9	14.9	43.9
DPR (%)	N/A	N/A	0.0	0.0	13.2	0.0	0.0	0.0	17.2
DY (%)	N/A	N/A	N/A	N/A	0.8	0.0	0.0	0.0	0.9
Net debt ratio (%)	N/A	N/A	-104.4	-75.9	-59.7	-59.8	-44.8	-58.9	-48.9

Source: Genians, NH I&S Research Center

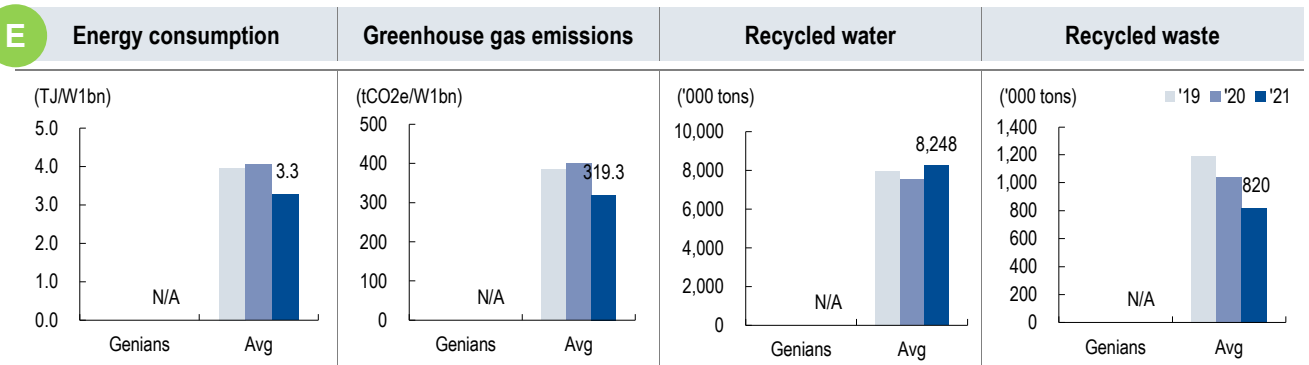
ESG indices & events



Note 1: Average breakdown based on 191 non-financial companies with assets of W2tn or more subject to 2022 mandatory disclosure of corporate governance reports
 Note 2: Conformity rate based on respective company's conformity to the KRX's 15 core indicators (included in the governance report)
 Source: Geniens, DART, NH I&S Research Center



Note: Average breakdown based on 111 firms disclosing ESG data amongst 191 non-financial companies subject to 2022 mandatory disclosure of corporate governance reports
 Source: Geniens, NH I&S Research Center



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 Source: Geniens, NH I&S Research Center

ESG events

E	N/A	- N/A
S	N/A	- N/A
G	2017.08	- Listed on Kosdaq

Source: Geniens, NH I&S Research Center

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1. Rating based on a stock's forecasted absolute return over a period of 12 months from the date of publication.

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