

Name	OtoSeven	Number of Shares	11,543,000
Ticker	159580	Market Cap	133,898,800
Market Price	11.60	Cash	5,000,000
Target Market Price	11.60	Debt	0
App./(Dep.)	0.00%	Net Cash	0
Sellside Target	133,898,800	Enterprise Value	133,898,800
		EBITDA	12,000,000
		EV/EBITDA	11.16

*Figures converted using USDKRW 1000 FX rate.

Business Overview

IPOd on Jan 2012. Business has been around for 13 years. The Co. is 39% owned by Maeil, which is a large seller of dairy products. Maeil started the Co. to sell branded baby formula, and off of a small asset base of 13BB KRW, the packaged baby goods is realizing 90BB KRW in revenue, although the operating margin is negative. With further growth, we believe the non-apparel sales will be the dominant business line for the Co, which will include baby lotion, baby formula, books, kitchen items, strollers and etc.. Inclusive of Maeil's shares, a combined 75% of the Co. is owned along with the family in charge of Maeil, so essentially the Co. is a subsidiary of Maeil. Currently, the brand holds a 9% market share of the domestic baby clothes market.

Some factors contributing to growth declining from double to single digit: a shrinking population, economic weakness, disruption to retail operations mandated by the government.

Cash flow

Op. Cash flow is 5BB and cap ex is very low at 1BB, so 3% Price/FCF yield.

On Feb. 2013, the Co. issued 2.3MM shares early 2013 for 8,800 KRW, raising 20BB KRW. The Co. holds 10BB in cash and repaid 10BB in debt. Maeil's ownership vs the total outstanding shares dropped from 50% to 39%.

Valuation

Net tangible book value, excluding cash, is near 30BB KRW. Add on top of this 8 years of op. cash flow and you have 70BB KRW, which is 53% of market value. This stock is pricey and a lot of the growth is being priced into the stock.