

Sung Nam

September 25, 2015

| | | | |
|---------------------------|-----------------|------------------|-------------|
| Name | Biosmart | Number of Shares | 11,628,000 |
| Ticker | 038460 | Market Cap | 49,419,000 |
| Market Price | 4.25 | Cash | 118,000,000 |
| SNV Opinion: | BUY | Debt | 46,000,000 |
| 5 Yr Target Price: | 10.00 | Net Cash | 72,000,000 |
| Implied IRR: | 18.66% | Enterprise Value | -22,581,000 |
| | | EBIT | 69,000,000 |
| | | EV/EBIT | -0.33 |

*Figures converted using USDKRW 1000 FX rate.

Business Overview

Founded in 1961, initially as a vitamin producer, it split into 2 entities in 2002, with the remaining entity focused primarily on investment and a minor business in chemical production. The Co. is a holding co. which has investments in 1 publicly traded co., and the rest in private subsidiaries.

Shareholder

Management (Yoon and family) owns 55% of the shares. Started off with 12.3MM shares, reduced by 9.7MM on 2002. 3.8MM added in 2003 and 5.08MM in 2009.

Subsidiaries

Owns 11 subs. Inclusive of the subs is a **40% stake in Dae Woong Pharmaceutical (069620), which is publicly traded. The market cap is 804BB KRW. A 40% share is 336BB KRW, which is not reflected in the books. The Co. has booked 125BB KRW, or 210BB KRW less than the market cap.**

| 법인명 | 계정 과목 | 출자 목적 | 기초잔액 | | | 증가(감소) | | | 기말잔액 | | |
|------|------------|----------|-----------|---------|-------------|---------|----|----------|-----------|---------|-------------|
| | | | 수량 | 지분 율 | 장부 가액 | 취득(처분) | | 평가 손익 | 수량 | 지분 율 | 장부 가액 |
| | | | | | | 수량 | 금액 | | | | |
| 대웅제약 | 종속기업 주식 | - | 4,581,759 | 40.60 | 124,441,130 | 137,452 | - | - | 4,719,211 | 40.73 | 124,441,130 |

Holdings Diagram**Cash flow**

Op. Cash flow is 60BB and cap ex is difficult to categorize, but we estimate about 10BB, so 13% FCF/Price yield. 2012 FY numbers reflect 819 BB KRW in revenue, 100% GM, 8% EBIT, 8% NI.

Dividend

Co. pays out 4.6BB KRW in dividend, or a 1.2% yield.

Valuation

Net tangible book value, excluding cash, is near 590BB KRW. Add on top of this 8 years of op. cash flow and you have 1.0TT KRW, which is 278% of market value. 153% downside protection.

Summary

The big story is the Co's 40% of 069692. The unbelievable part is the market cap of the Dae Woong Pharm holdings is booked at cost, so if the Co. traded in line with the market appreciation of Dae Woong Pharm, it should be selling at a higher price. We are including in our portfolio.

Buy

| Name | Ticker | Market Price* | Entry Price | Date | Gain/(Loss) |
|-----------------|--------|---------------|-------------|------------|-------------|
| Idis Holdings | 054800 | 17.25 | 13.00 | 07/16/2013 | 32.69% |
| Moatech | 033200 | 2.64 | 3.61 | 07/12/2013 | -27.01% |
| Danawa | 119860 | 10.80 | 9.38 | 07/22/2013 | 15.14% |
| Kishin Elec. | 092440 | 7.74 | 6.64 | 07/23/2013 | 16.57% |
| BYC | 001460 | 359.00 | 196.50 | 07/29/2013 | 82.70% |
| Korea Exp. Exc. | 002200 | 22.20 | 25.90 | 07/31/2013 | -14.29% |
| Biosmart | 038460 | 11.50 | 2.58 | 08/01/2013 | 345.74% |
| Dae Woong | 003090 | 68.90 | 33.05 | 08/26/2013 | 108.47% |
| Chungdam | 096240 | 10.40 | 15.20 | 08/01/2013 | -31.58% |

Average Total Return

58.71%

Follow

| Name | Ticker | Market Price* | Entry Price | Date | Gain/(Loss) |
|---------------|--------|---------------|-------------|------------|-------------|
| China King | 900120 | 3.92 | 2.30 | 07/17/2013 | 70.22% |
| Silla Trading | 004970 | 17.65 | 29.70 | 08/05/2013 | -40.57% |

*Intraday Market Price