

BusinessOn Communication (138580 KS)

Target price: **n.a.**Share price (12 Sep): **KRW11,280** | Up/downside: -

5 4 3 2 1

No Rating

Aiming to become a SaaS platform for enterprise users

- B2B software provider specialising in e-tax bills, HR, and data analytics
- Pursuing aggressive M&A to provide a unified enterprise solution
- Sees 2 growth engines: cross-selling strategy and rise in SaaS users

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Background: BusinessOn Communication (BusinessOn) is a B2B solutions provider engaged in the 4 major domains of finance, HR, e-tax invoices and data analytics. Founded in 2007 and acquired by a local PE fund (Praxis Capital) in 2019, the company has continued to enhance its solution offerings, from e-tax invoices to workforce management and reporting, e-contract software, and data visualisation (Tableau).

Highlights: During the meeting, the company highlighted that it has a solid and well-diversified customer base (>400 among Korea's top-1,000 corporations) and 0.37m B2B users of its finance solution. By leveraging its vast B2B user pool from its e-tax/accounting solution (c.70% market share, per the company) and by acquiring key players in new markets, it had a cumulative B2B customer base of 5,801 (finance), 0.17m (eSign), and 404 (data analytics) at end-2Q23. The revenue mix for 1H23: finance (35%), eSign (8%), HR (19%), and data (39%). The company acquired Glosign and Planit Partners in 2020 to diversify its business scope into e-contract and business intelligence solutions like data analysis and visualisation, and acquired Shifty in 2022 to accelerate its migration into an HR Software-as-a-Service (SaaS) platform like Workday (WDAY US, not rated).

BusinessOn believes SaaS market penetration in Korea is still at a low level (c.5% as of 1H23), but is likely to rise to c.30% within the next 5 years – to a similar level to that of the US market – driven by enhancing cloud infrastructure, improving ROI of internal IT systems, and declining capex for on-premises solutions over the medium term. The company said its existing customers are rapidly tapping into its SaaS offerings, due to the increasing complexity of internal solutions and rising cybersecurity threats. The company underscored that its B2B solutions had relatively high retention rates of 85-99% and recorded 71-77% of total revenue as recurring revenue in 2022.

By improving its revenue mix with lucrative SaaS for both its eSign and HR solutions (over 50% operating-profit margin in 1Q-3Q22), BusinessOn expects to incrementally improve its profitability over 2023-25E. In 1H23, its revenue rose by 16.4% YoY to KRW25.6bn and operating profit surged by 43.5% YoY to KRW8.6bn, representing an operating-profit margin of 34%. Strategically, it plans to penetrate new target markets in Korea and overseas – especially the HR solution market in Taiwan and Singapore – and cross-promote its commercially proven B2B solutions in Korea. It expects cross-selling revenue to rise by a CAGR of 58% for 2022-27E.

Valuation: BusinessOn's shares trade at 2023E and 2024E PERs of 20.3x and 15.9x, respectively, per the Bloomberg consensus.

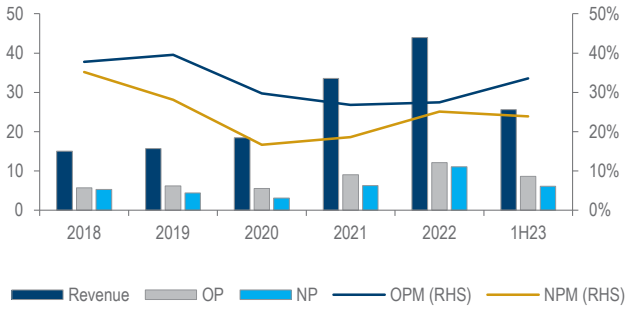
Share price performance



12-month range	6,630.00-14,180.00
Market cap (USDbn)	0.19
3m avg daily turnover (USDm)	0.59

Source: FactSet, Daiwa forecasts

BusinessOn: annual financials (KRWbn, 2018-1H23)



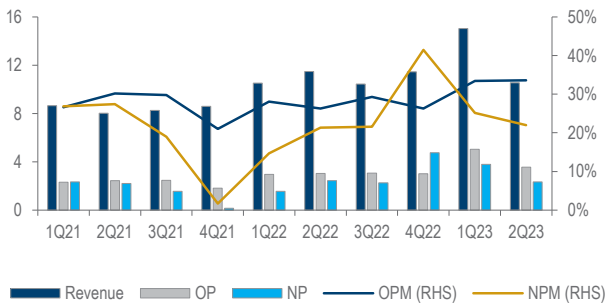
Source: Company
Note: NP = continuing net profit attributable to controlling interest

BusinessOn: segment revenue mix (KRWbn, 1Q21-2Q23)



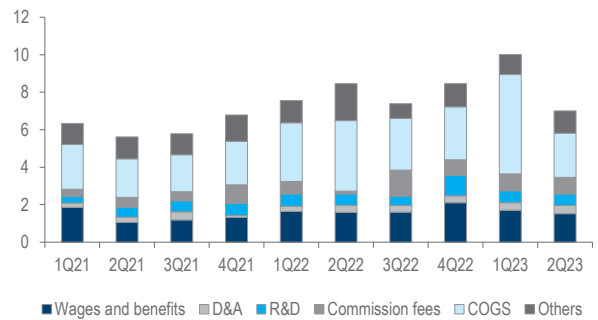
Source: Company

BusinessOn: quarterly financials (KRWbn, 1Q21-2Q23)



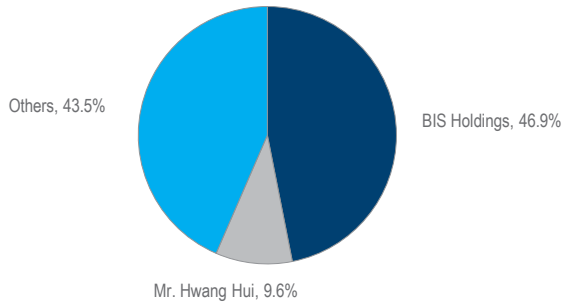
Source: Company

BusinessOn: operating cost structure (% , 1Q21-2Q23)



Source: Company

BusinessOn: shareholding structure (as of end-2Q23)



Source: Company

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Rating	Percentage of total
Buy*	78.90%
Hold**	16.82%
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Source: Daiwa

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