COMPANY UPDATE

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Dio (039840)

Operating leverage recovering quietly but steadily

- In 3Q, Dio enjoyed stable topline growth from all export markets and its operating profit topped consensus thanks to collection of some account receivables in the Middle East (ie, better operating leverage).
- We maintain BUY rating and KRW22,000 target price to factor in gradual improvement in operating leverage and solid demand anticipated from China's second volume-based procurement policy.

▶ AT A GLANCE

BUY

Target price	**KRW22,000**	**29.7%**
Current price	**KRW16,960**	
Market cap	KRW243.8b/USD166.34m	
Shares (float)	14,375,087 (63.0%)	
52-week high/low	KRW20,950/KRW15,480	
Avg daily trading value (60-day)	KRW0.5b/ USD0.4m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Dio (%)	-3.6	-16.5	6.7
Vs Kosdaq (%pts)	-8.6	-33.1	-16.3

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	22,000	22,000	0.0%
2025E EPS	56	-259	n/a
2026E EPS	1,511	1,346	12.3%

▶ SAMSUNG vs THE STREET

No of estimates	3
Target price	24,000
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

WHAT'S THE STORY?

3Q review: Dio reported 3Q sales of KRW41.4b (+32.2% y-y and +3.4%q-q; meeting consensus) and operating profit of KRW4.2b (+886.6% y-y and +37.6% q-q; topping consensus by 15.4%). Domestic sales came in at KRW5.7b (-1.5% y-y and -10.7% q-q) amid sluggish economy and fierce competition. Exports maintained stable growth, amounting to: 1) KRW11.3b in China (+143.9% y-y but -4.2% q-q) due to education & marketing (110 sessions with 7,100 participants in 2025, up from 107 sessions with 4,400 participants in 2024) and tight inventory control (within two months); 2) KRW4.9b in North and Central America (+9.9% y-y and +2% q-q); 3) KRW6.2b in Asia ex-China (+18.9% y-y and +8.5% q-q); and 4) KRW6.7b in Europe (+27.2% y-y and +4.2% q-q). Operating margin recovered to the 10% range thanks to collection (KRW1.4b) of some account receivables in the Middle East—where new shipments were halted due to delayed payments—and continued SG&A cost control at the low KRW20b level.

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	41.4	32.2	3.4	7.0	7.9
Operating profit	4.2	886.6	37.6	4.6	15.4
Pre-tax profit	6.9	nm	nm	134.6	131.1
Net profit	5.9	nm	nm	153.5	97.2
Margins (%)					
Operating profit	10.0				
Pre-tax profit	16.7				
Net profit	14.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	n/a	304.0	11.2
P/B	1.1	1.1	1.0
EV/EBITDA	n/a	11.6	6.7
Div yield (%)	0.0	0.0	0.0
EPS growth (% y-y)	nm	nm	2,608.6
ROE (%)	-20.7	0.4	10.0
Per-share data (KRW)			
EPS	-2,657	56	1,511
BVPS	14,657	15,491	17,114
DPS	0	0	0

Maintaining BUY and KRW22,000 target: On prospect of stable 2026 earnings with stable collection of accounts receivables, we maintain our target price of KRW22,000. Dio's account receivables remained steady q-q at KRW79b in end-3Q (vs KRW76 in 2Q25). Amid ongoing efforts to strengthen financial stability, the firm's operating leverage (a concern in 2Q results) improved gradually. Its operating margin was 13.1% in 3Q. Despite some uncertainty over China's second volume-based procurement (VBP) policy in 1Q26, we expect the operating margin to reach 15.7% in 2026 on its focus on collecting the account receivables. In September, Dio launched UniCon universal implant system that allows fixture-to-abutment compatibility with a single specification regardless of implant diameter or length. The company plans to join the VBP tenders by splitting production between its Korean facilities and its Chinese facilities (mid-to-low price strategy). Depending on the tender outcome, it should proceed with investment in its Chinese production facilities (KRW6b over three years), targeting the beginning of local production in 2H26. We forecast Dio's 2026 sales and operating profit to climb 29.1% and 119.8% y-y, respectively, to KRW198.5b and KRW31.1b.

Dio: Valuation

(KRWb)		Note
2026E EBITDA (A)	38.6	
Target EV/EBTIDA (x) (B)	7.6	*Global peer average (12m fwd)
Operating value (C = AxB)	294.4	
Net debt (D)	27.6	
Fair value (C-D)	266.7	
Outstanding shares ('000)	13,494	Excludes treasury stock
Fair value per share (KRW)	21,816	
Target price (KRW)	22,000	

Note: *Dentium,, Ray, Straumann, Align Tech, Envista, Dentsply Sirona, ZimVie, Straumann/Align Tech (50%)
Source: Bloomberg, Samsung Securities estimates

Dio: Results and forecasts (consolidated basis)

(KRWb)	2024	2025E	2026E	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25P	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E
Sales	**119.6**	**160.8**	**198.5**	**35.0**	**15.5**	**31.3**	**37.8**	**35.8**	**40.1**	**41.4**	**43.4**	**46.2**	**46.7**	**51.5**	**54.0**
Domestic	**22.4**	**25.8**	**27.1**	**10.8**	**-1.3**	**5.8**	**7.2**	**6.9**	**6.4**	**5.7**	**6.8**	**8.2**	**5.2**	**7.0**	**6.6**
Overseas	**97.2**	**135.0**	**171.5**	**24.2**	**16.9**	**25.5**	**30.6**	**28.9**	**33.7**	**35.7**	**36.7**	**38.0**	**41.5**	**44.5**	**47.4**
Subsidiaries	83.7	115.3	146.0	21.0	14.3	22.6	25.9	25.5	28.7	30.4	30.5	32.9	34.6	37.6	40.8
China	17.6	42.4	60.2	4.7	3.6	4.6	4.7	8.9	11.7	11.3	10.5	12.7	14.5	15.7	17.3
North America	17.7	19.4	20.3	4.7	4.1	4.5	4.4	4.8	4.8	4.9	4.8	5.0	5.3	4.9	5.0
Asia (excl. China)	18.4	25.1	29.7	4.3	4.0	5.2	4.9	5.5	5.7	6.2	7.7	7.2	7.4	7.6	7.5
Europe	19.4	26.9	34.2	5.0	2.5	5.2	6.6	6.4	6.4	6.7	7.5	7.8	7.2	8.8	10.4
Middle East	10.7	1.5	1.5	2.4	0.0	3.0	5.3	0.0	0.1	1.4	0.0	0.2	0.2	0.5	0.6
Gross profit	**73.8**	**109.4**	**137.6**	**24.8**	**4.1**	**20.6**	**24.3**	**24.0**	**27.7**	**27.5**	**30.2**	**31.7**	**32.1**	**36.0**	**37.8**
Operating profit	**-40.7**	**14.4**	**31.1**	**5.6**	**-47.1**	**0.4**	**0.3**	**1.5**	**3.0**	**4.2**	**5.7**	**6.2**	**5.8**	**9.8**	**9.3**
Pre-tax profit	**-50.5**	**-2.8**	**27.5**	**7.7**	**-57.0**	**-8.5**	**7.4**	**0.7**	**-11.7**	**6.9**	**4.7**	**5.3**	**4.9**	**8.9**	**8.4**
Net profit (controlling)	**-41.3**	**0.8**	**21.7**	**4.2**	**-47.3**	**-7.2**	**9.0**	**0.1**	**-8.9**	**5.9**	**3.7**	**4.2**	**3.9**	**7.0**	**6.7**
Growth (%y-y)															
Sales	***-23.2***	***34.4***	***23.5***	***-15.3***	***-64.5***	***-21.7***	***23.1***	***2.4***	***158.0***	***32.2***	***14.8***	***29.1***	***16.5***	***24.3***	***24.5***
Domestic	***-48.4***	***15.0***	***5.0***	***-10.9***	***n/a***	***-52.6***	***0.8***	***-36.0***	***n/a***	***-1.5***	***-6.1***	***19.0***	***-18.4***	***22.3***	***-1.8***
Overseas	***-13.5***	***38.9***	***27.0***	***-17.1***	***-47.0***	***-8.2***	***29.8***	***19.4***	***99.6***	***39.9***	***19.8***	***31.5***	***23.2***	***24.7***	***29.3***
Subsidiaries	*-17.0*	*37.6*	*26.6*	*-21.4*	*-48.9*	*-11.1*	*24.1*	*21.3*	*101.7*	*34.8*	*17.9*	*29.0*	*20.3*	*23.4*	*33.8*
China	*10.8*	*140.8*	*42.2*	*21.0*	*-28.8*	*-0.1*	*99.3*	*86.5*	*230.9*	*143.9*	*124.4*	*43.5*	*23.5*	*39.7*	*64.9*
North America	*-30.4*	*9.6*	*4.8*	*-25.5*	*-45.9*	*-10.4*	*-32.4*	*2.6*	*17.5*	*9.9*	*9.3*	*4.7*	*10.6*	*-1.3*	*5.3*
Asia (excl. China)	*6.3*	*36.3*	*18.2*	*-13.1*	*1.3*	*17.1*	*23.0*	*29.0*	*41.7*	*18.9*	*56.6*	*31.5*	*29.0*	*23.1*	*-3.2*
Europe	*3.8*	*38.8*	*27.2*	*16.4*	*-47.9*	*15.8*	*31.9*	*27.6*	*154.2*	*27.2*	*12.7*	*21.9*	*12.8*	*32.4*	*39.3*
Middle East	*-54.9*	*-86.0*	*0.0*	*-68.1*	*-99.3*	*-55.4*	*76.0*	*n/a*	*41.7*	*-53.7*	*-99.6*	*n/a*	*142.0*	*-62.0*	*2,531.8*
Gross profit	***-34.8***	***48.2***	***25.8***	***-18.8***	***-87.7***	***-30.8***	***23.1***	***-3.5***	***581.9***	***33.7***	***24.2***	***32.3***	***16.0***	***30.9***	***25.1***
Operating profit	***n/a***	***n/a***	***116.6***	***-44.3***	***n/a***	***-93.5***	***n/a***	***-73.1***	***n/a***	***886.6***	***1,532.7***	***310.8***	***92.5***	***134.8***	***64.2***
Pre-tax profit	***n/a***	***-94.5***	***n/a***	***-47.8***	***n/a***	***n/a***	***n/a***	***-91.4***	***n/a***	***n/a***	***-36.5***	***699.4***	***n/a***	***27.8***	***79.9***
Net profit (controlling)	***n/a***	***n/a***	***2,563.6***	***-62.8***	***n/a***	***n/a***	***n/a***	***-97.2***	***n/a***	***n/a***	***-58.7***	***3,497.2***	***n/a***	***18.3***	***79.9***
Margins (%)															
Gross profit	**61.7**	**68.0**	**69.3**	**71.1**	**26.1**	**65.6**	**64.3**	**67.0**	**69.0**	**66.4**	**69.6**	**68.7**	**68.7**	**69.9**	**69.9**
Operating profit	**-34.0**	**8.9**	**15.7**	**16.1**	**n/a**	**1.3**	**0.9**	**4.2**	**7.5**	**10.0**	**13.1**	**13.5**	**12.4**	**18.9**	**17.3**
Pre-tax profit	**-42.2**	**-1.7**	**13.8**	**21.9**	**n/a**	**n/a**	**19.5**	**1.8**	**n/a**	**16.7**	**10.8**	**11.4**	**10.5**	**17.2**	**15.6**
Net profit (controlling)	**-34.5**	**-2.5**	**9.8**	**12.0**	**-304.7**	**-22.8**	**23.7**	**0.3**	**-22.2**	**6.0**	**6.4**	**8.5**	**6.9**	**13.1**	**10.3**

Note: Sales in each region are calculated by excluding the provision for bad debts.
Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**156**	**120**	**161**	**198**	**228**
Cost of goods sold	43	46	51	61	69
Gross profit	**113**	**74**	**109**	**138**	**159**
Gross margin (%)	72.6	61.7	68.0	69.3	69.9
SG&A expenses	92	115	95	106	118
Operating profit	**21**	**-41**	**14**	**31**	**42**
Operating margin (%)	13.4	-34.0	8.9	15.7	18.3
Non-operating gains (losses)	**-10**	**-10**	**-17**	**-4**	**-1**
Financial profit	1	2	2	3	4
Financial costs	9	7	6	7	5
Equity-method gains (losses)	0	0	0	0	0
Other	-2	-6	-13	-0	0
Pre-tax profit	**10**	**-50**	**-3**	**27**	**41**
Taxes	8	-9	-0	6	9
Effective tax rate (%)	74.8	18.1	7.6	21.0	21.0
Profit from continuing operations	3	-41	1	22	32
Profit from discontinued operations	0	0	0	0	0
Net profit	**3**	**-41**	**1**	**22**	**32**
Net margin (%)	1.7	-34.5	0.5	10.9	14.2
Net profit (controlling interests)	3	-41	1	22	32
Net profit (non-controlling interests)	-1	0	0	0	0
EBITDA	33	-29	23	39	48
EBITDA margin (%)	21.3	-24.7	14.5	19.5	21.0
EPS (parent-based) (KRW)	209	-2,657	56	1,511	2,257
EPS (consolidated) (KRW)	165	-2,657	56	1,511	2,257
Adjusted EPS (KRW)*	209	-2,657	56	1,511	2,257

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**176**	**171**	**181**	**233**	**281**
Cash & equivalents	9	25	54	75	100
Accounts receivable	128	77	82	102	117
Inventories	26	26	30	38	43
Other current assets	14	43	15	18	21
Fixed assets	**191**	**172**	**171**	**166**	**162**
Investment assets	9	9	12	15	17
Tangible assets	160	144	138	131	125
Intangible assets	11	2	2	1	1
Other long-term assets	12	18	19	19	19
Total assets	**368**	**343**	**352**	**399**	**443**
Current liabilities	**165**	**120**	**114**	**139**	**150**
Accounts payable	8	7	8	10	11
Short-term debt	98	55	42	52	52
Other current liabilities	59	58	65	78	88
Long-term liabilities	**9**	**20**	**30**	**30**	**31**
Bonds & long-term debt	2	15	25	25	25
Other long-term liabilities	7	4	5	5	6
Total liabilities	**173**	**139**	**144**	**170**	**181**
Owners of parent equity	**194**	**204**	**207**	**229**	**262**
Capital stock	8	8	8	8	8
Capital surplus	105	27	27	27	27
Retained earnings	71	78	64	86	118
Other	10	91	108	108	108
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**194**	**204**	**207**	**229**	**262**
Net debt	109	60	28	17	-8

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**5**	**15**	**16**	**14**	**27**
Net profit	3	-41	1	22	32
Non-cash profit and expenses	43	56	34	17	15
Depreciation	10	10	8	7	6
Amortization	2	2	1	0	0
Other	31	45	25	9	9
Changes in A/L from operating activities	-28	15	-13	-16	-12
Cash flow from investments	**-3**	**-21**	**24**	**-3**	**-2**
Change in tangible assets	-2	5	-1	0	0
Change in financial assets	-2	0	-1	-3	-2
Other	1	-27	27	0	0
Cash flow from financing	**-10**	**20**	**-10**	**10**	**0**
Change in debt	2	-33	-3	10	0
Change in equity	0	-78	0	0	0
Dividends	0	-1	-1	0	0
Other	-13	132	-6	0	0
Change in cash	-8	16	29	21	25
Cash at beginning of year	17	9	25	54	75
Cash at end of year	9	25	54	75	100
Gross cash flow	**45**	**15**	**35**	**39**	**48**
Free cash flow	**1**	**10**	**14**	**14**	**27**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	18.7	-23.2	34.4	23.5	14.8
Operating profit	nm	nm	nm	116.6	34.0
Net profit	nm	nm	nm	2,563.6	49.3
Adjusted EPS**	nm	nm	nm	2,608.6	49.3
Per-share data (KRW)					
EPS (parent-based)	209	-2,657	56	1,511	2,257
EPS (consolidated)	165	-2,657	56	1,511	2,257
Adjusted EPS**	209	-2,657	56	1,511	2,257
BVPS	13,386	14,657	15,491	17,114	19,537
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	107.4	n/a	304.0	11.2	7.5
P/B***	1.7	1.1	1.1	1.0	0.9
EV/EBITDA	14.0	n/a	11.6	6.7	4.9
Ratios (%)					
ROE	1.8	-20.7	0.4	10.0	13.2
ROA	0.8	-11.6	0.2	5.8	7.7
ROIC	1.9	-13.1	6.3	11.5	14.9
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	56.0	29.3	13.3	7.3	-3.2
Interest coverage (x)	2.7	-7.0	2.7	4.7	8.7

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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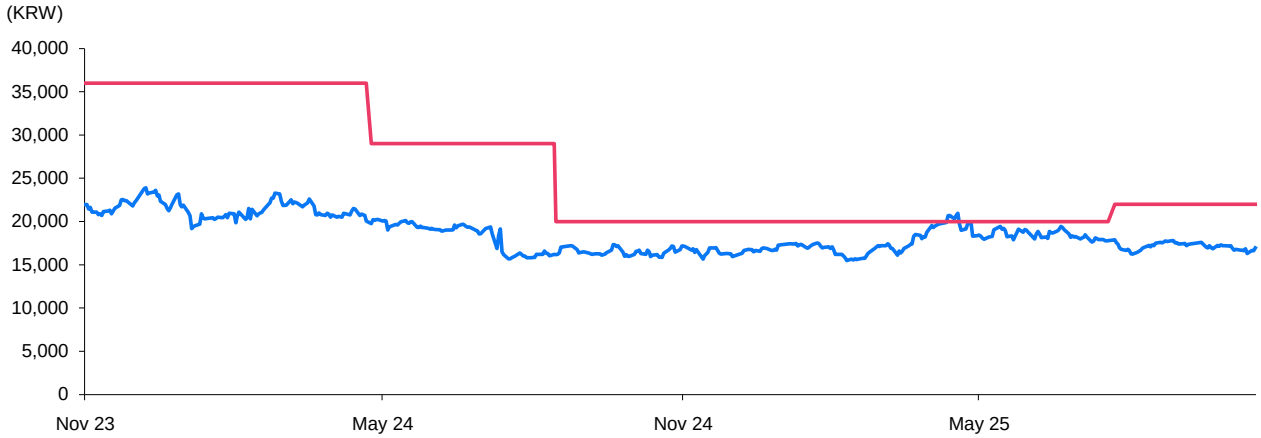
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/4/21	11/15	2024/5/20	9/10	2025/8/18
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	40000	36000	29000	20000	22000
Gap* (average)	-27.42	-40.36	-36.46	-13.06	
(max or min)**	-8.00	-33.61	-30.17	4.75	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
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Industry

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* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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