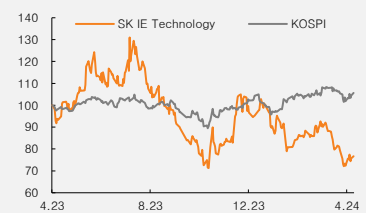


(Downgrade)	Buy
Target price	▼ W83,000
Current price (4/29/24)	W63,600
Upside	30.5%

OP (24F, Wbn)	-66
Consensus OP (24F, Wbn)	-34
EPS growth (24F, %)	-
Market EPS growth (24F, %)	72.1
P/E (24F, x)	-
Market P/E (24F, x)	11.1
KOSPI	2,687.44

Market cap (Wbn)	4,535
Shares (mn)	71
Free float (%)	35.8
Foreign ownership (%)	12.3
Beta (12M)	1.07
52-week low (W)	59,100
52-week high (W)	108,600

(%)	1M	6M	12M
Absolute	-13.1	4.8	-17.7
Relative	-11.2	-10.2	-23.4



Mirae Asset Securities Co., Ltd.

Chuljoong Kim
chuljoong.kim@miraeasset.com

Minhui Kang
minhui.kang@miraeasset.com

SK IE Technology

Inventory adjustments lead to earnings shock; recovery likely in 2H24

Lower TP to W83,000

We lower our target price on SK IE Technology (SKIET) to W83,000. The firm's 1Q24 earnings significantly missed the consensus due to sluggish demand from key downstream customers amid inventory adjustments (delayed from 4Q23). While downstream inventory adjustments should inevitably weigh on 2Q24 earnings as well, we expect earnings to start improving in 2H24.

We believe the medium/long-term investment case remains intact, as: 1) shipments to North American OEMs and new domestic customers are set to begin in 2H24; and 2) North America is projected to experience a separator shortage from 2025 due to foreign entities of concern (FEOC) rules. While the stock could come under pressure amid short-term earnings deterioration, we continue to recommend accumulating shares from a medium- to long-term perspective.

1Q24 review: Earnings shock

SKIET suffered an earnings shock for 1Q24, with revenue of W46.2bn (-73% QoQ) and an operating loss of W67.4bn (turning to loss QoQ). Sluggish demand from SK On (as well as line adjustments at the cell maker) weighed on earnings. Moreover, relatively muted downstream inventory adjustments for separators (compared to other materials) in 4Q23 led to weaker volume in 1Q24. As separators involve heavy fixed costs, the decreases in utilization and shipments caused profitability to deteriorate sharply (gross margin of -73% and OP margin of -146%).

2Q24 preview and future outlook

We expect earnings to remain sluggish in 2Q24; we look for revenue of W71.2bn (+54% QoQ) and an operating loss of W46.3bn (remaining in the red QoQ). While shipments should increase QoQ, the effect should be outweighed by fixed cost pressures. However, earnings are likely to markedly improve in 2H24. We see shipment volume expanding to 550mn m² in 2H24 (from 140mn m² in 1H24), driven by: 1) accelerating growth in shipments to SK On; and 2) the start of shipments to North American OEMs and new domestic customers. As major cell makers prepare to ramp up North American production in 2025, FEOC rules are hindering the entry of Chinese players. As such, we expect North America separator supply to be tight over the medium/long term.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	586	650	582	1,025	1,379
OP (Wbn)	-52	32	-66	95	164
OP margin (%)	-8.9	4.9	-11.3	9.3	11.9
NP (Wbn)	-30	82	-13	139	188
EPS (W)	-416	1,152	-183	1,951	2,644
ROE (%)	-1.4	3.6	-0.5	5.6	7.2
P/E (x)	-	68.5	-	32.6	24.1
P/B (x)	1.7	2.3	1.9	1.8	1.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Notes: Under non-consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

Table 1. Valuation table

		Notes
2026F EBITDA (Wbn)	464	2025F→ 2026F
Target EV/EBITDA (x)	15.0	
Fair value (Wbn)	6,962	
Net borrowings (2025F, Wbn)	1,017	
Shares outstanding ('000)	71,298	
Target price (W)	83,000	
Current price (W)	63,600	
Upside (%)	31	

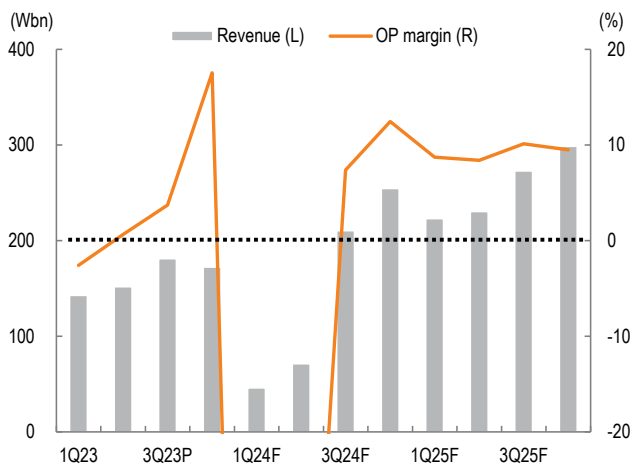
Source: Mirae Asset Securities Research

Table 2. Quarterly and annual earnings

	1Q24P	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F	2023	2024F	2025F
Revenue	46.2	71.2	210.5	254.5	223.1	230.6	272.8	298.6	648.3	582.3	1,025.1
OP	-67.4	-46.3	15.5	31.7	19.5	19.4	27.6	28.4	34.3	-66.4	94.8
Pretax profit	-72.9	-27.9	33.4	48.7	36.3	36.2	44.3	44.9	98.7	-18.7	161.7
Net profit	-60.5	-23.2	28.7	41.9	31.2	31.1	38.1	38.6	82.2	-13.1	139.1
OP margin	-146.0	-65.0	7.4	12.5	8.7	8.4	10.1	9.5	5.3	-11.4	9.2
EBIT	-157.9	-39.2	15.9	19.2	16.3	15.7	16.3	15.0	15.2	-3.2	15.8
Net margin	-131.1	-32.6	13.6	16.5	14.0	13.5	14.0	12.9	12.7	-2.2	13.6
Growth (QoQ/YoY)											
Revenue	-73.2	54.2	195.7	20.9	-12.3	3.3	18.3	9.5	10.7	-10.2	76.1
OP	TTR	RR	TTB	104.1	-38.7	-0.6	42.7	2.8	TTB	TTR	TTB
EBIT	TTR	RR	TTB	46.0	-25.6	-0.2	22.4	1.3	TTB	TTR	TTB
NP	TTR	RR	TTB	46.0	-25.6	-0.2	22.4	1.3	TTB	TTR	TTB

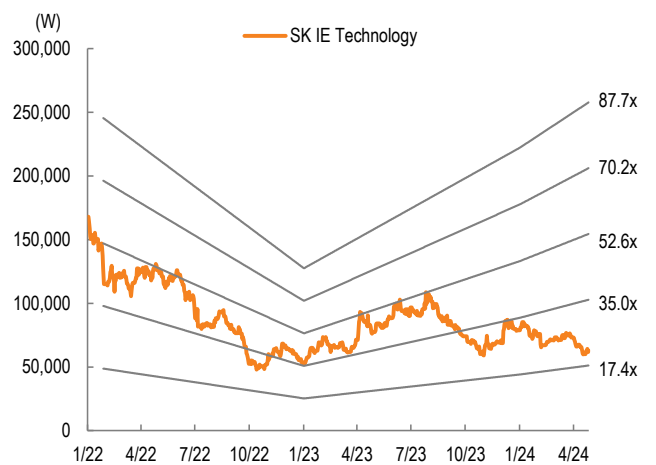
Source: Mirae Asset Securities Research

Figure 1. Quarterly earnings trends



Source: Company data, Mirae Asset Securities Research

Figure 2. 12-month forward EV/EBITDA band chart



Source: QuantiWise, Mirae Asset Securities Research

SK IE Technology (361610 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	650	582	1,025	1,379
Cost of revenue	496	510	785	1,049
GP	154	72	240	330
SG&A expenses	121	139	145	165
OP (adj.)	32	-66	95	164
OP	32	-66	95	164
Non-operating profit	67	47	67	55
Net financial income	-8	-5	-9	-9
Net income from associates	0	0	0	0
Pretax profit	99	-19	162	219
Income tax	17	-6	23	31
Profit from continuing operations	82	-13	139	188
Profit from discontinued operations	0	0	0	0
NP	82	-13	139	188
Attributable to owners	82	-13	139	188
Attributable to minority interests	0	0	0	0
Total comprehensive income	236	-13	139	188
Attributable to owners	236	-13	139	188
Attributable to minority interests	0	0	0	0
EBITDA	187	97	329	462
FCF	-374	-162	-85	59
EBITDA margin (%)	28.8	16.7	32.1	33.5
OP margin (%)	4.9	-11.3	9.3	11.9
Net margin (%)	12.6	-2.2	13.6	13.6

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	125	38	315	459
NP	82	-13	139	188
Non-cash income/expenses	122	123	226	297
Depreciation	149	159	231	296
Amortization	6	5	3	2
Other	-33	-41	-8	-1
Chg. in working capital	2	-72	-18	13
Chg. in AR & other receivables	-25	-72	-39	-78
Chg. in inventory	-38	-72	-39	-77
Chg. in AP & other payables	-3	9	5	10
Income tax	-33	6	-23	-31
Cash flow from investing activities	-438	-142	-361	-362
Chg. in PP&E	-499	-200	-400	-400
Chg. in intangible assets	-4	0	0	0
Chg. in financial assets	78	18	-1	-2
Other	-13	40	40	40
Cash flow from financing activities	372	0	0	0
Chg. in financial liabilities	386	0	0	0
Chg. in equity	1	0	0	0
Dividends	0	0	0	0
Other	-15	0	0	0
Chg. in cash	76	-104	-46	97
Beginning balance	463	538	434	388
Ending balance	538	434	388	485

Source: Company data, Mirae Asset Securities Research estimates

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	894	936	968	1,172
Cash & equivalents	538	434	388	485
AR & other receivables	170	229	269	348
Inventory	151	223	262	339
Other current assets	35	50	49	0
Non-current assets	3,189	3,226	3,393	3,498
Investments in associates	0	0	0	0
PP&E	3,073	3,114	3,283	3,387
Intangible assets	11	7	4	2
Total assets	4,084	4,163	4,362	4,670
Current liabilities	718	804	860	974
AP & other payables	131	164	193	250
Short-term financial liabilities	477	477	477	477
Other current liabilities	110	163	190	247
Non-current liabilities	954	960	964	970
Long-term financial liabilities	941	941	941	941
Other non-current liabilities	13	19	23	29
Total liabilities	1,672	1,764	1,824	1,944
Equity attributable to owners	2,412	2,399	2,538	2,726
Capital stock	71	71	71	71
Capital surplus	1,897	1,897	1,897	1,897
Retained earnings	297	284	423	612
Minority interests	0	0	0	0
Shareholders' equity	2,412	2,399	2,538	2,726

Key valuation metrics/ratios

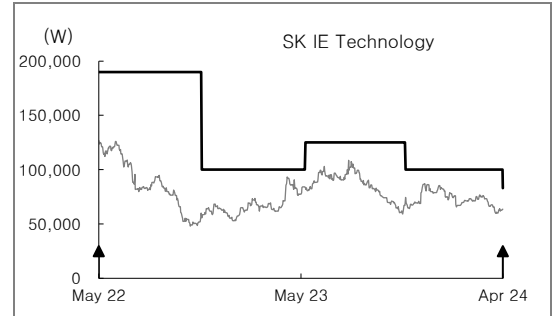
	2023	2024F	2025F	2026F
P/E (x)	68.5	-	32.6	24.1
P/CF (x)	527.6	41.4	12.4	9.3
P/B (x)	2.3	1.9	1.8	1.7
EV/EBITDA (x)	34.7	57.0	16.9	11.8
EPS (W)	1,152	-183	1,951	2,644
CFPS (W)	2,860	1,535	5,116	6,811
BPS (W)	33,825	33,642	35,593	38,236
DPS (W)	0	0	0	0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0
Revenue growth (%)	10.9	-10.4	76.1	34.5
EBITDA growth (%)	80.4	-48.2	239.5	40.4
OP growth (%)	-	-	-	73.2
EPS growth (%)	-	-	-	35.5
AR turnover (x)	4.7	3.1	4.2	4.6
Inventory turnover (x)	4.9	3.1	4.2	4.6
AP turnover (x)	25.3	21.5	25.5	27.5
ROA (%)	2.2	-0.3	3.3	4.2
ROE (%)	3.6	-0.5	5.6	7.2
ROIC (%)	0.9	-1.3	2.5	4.1
Debt-to-equity ratio (%)	69.3	73.5	71.9	71.3
Current ratio (%)	124.6	116.5	112.6	120.3
Net debt-to-equity ratio (%)	35.7	41.0	40.6	34.2
Interest coverage ratio (x)	1.6	-3.3	4.7	8.2

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
SK IE Technology (361610)	04/30/24	Buy	83,000
	11/06/23	Buy	100,000
	05/09/23	Buy	125,000
	11/03/22	Buy	100,000
	04/28/22	Buy	190,000



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Securities Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Ratings distribution and investment banking services

	Buy	Trading Buy	Hold	Sell
Ratings distribution	85.36%	9.15%	5.49%	0%
Investment banking services	80.96%	9.52%	9.52%	0%

* Based on recommendations in the last 12-months (as of March 31, 2024)

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Mirae Asset Securities International Network

Mirae Asset Securities Co., Ltd. (Seoul)

One-Asia Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
Tel: 852-2845-6332

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building
Vila Olimpia
Sao Paulo - SP
04551-060
Brazil
Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)

Mirae Asset Capital Markets (India) Pvt Ltd

1st Floor, Tower 4, Equinox Business Park,
LBS Marg, Off BKC, Kurla (West), Mumbai - 400 070
India

Tel: 91-22-62661300 / 48821300

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

PT. Mirae Asset Sekuritas Indonesia

District 8, Treasury Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-54
Jakarta Selatan 12190
Indonesia
Tel: 62-21-5088-7000

Mirae Asset Securities Mongolia UTsK LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area
Shanghai 200120
China

Tel: 86-21-5013-6392
