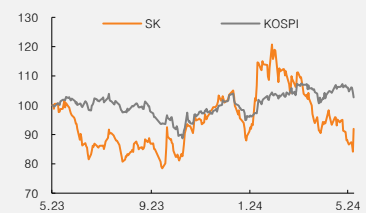


(Maintain)	Buy
Target price	₩270,000
Current price (5/30/24)	₩158,100
Upside	70.8%

OP (24F, Wbn)	1,502
Consensus OP (24F, Wbn)	6,526
EPS growth (24F, %)	193.3
Market EPS growth (24F, %)	76.2
P/E (24F, x)	11.0
Market P/E (24F, x)	10.7
KOSPI	2,635.44

Market cap (Wbn)	11,573
Shares (mn)	73
Free float (%)	49.0
Foreign ownership (%)	24.0
Beta (12M)	2.10
52-week low (W)	134,900
52-week high (W)	207,500

(%)	1M	6M	12M
Absolute	-4.8	-3.4	-8.5
Relative	-2.7	-7.0	-10.2



Mirae Asset Securities Co., Ltd.

Young-gun Kim

younggun.kim.a@miraeasset.com

SK Inc.

Key drivers: Semiconductors, energy, and shareholder returns

Investment recommendation and valuation

We maintain our Buy rating and target price of ₩270,000 on SK Inc. Our valuation reflects the value of the IT services business, dividend income, and the value of subsidiary stakes. Notably, we applied a 50% discount to the value of subsidiary stakes in light of SK Inc.'s holding company structure and high debt levels across the group.

SK Inc. has a favorable shareholder return policy; on top of regular dividends, it plans to repurchase treasury shares representing over 1% of its market cap each year from 2022 to 2025. Yesterday, the company disclosed plans to retire 659,626 shares.

Earnings outlook for unlisted subsidiaries and investment highlights

SK Materials (CIC): QoQ growth has continued for two straight quarters, driven by solid sales of specialty gases (NF3) amid a partial recovery in semiconductor utilization and the start of operations at a new industrial gas plant. We believe earnings will continue to grow in 2H24 on expansion into next-generation etching gases (HBr) and photoresist products. We forecast revenue to reach ₩1.3tr (+10% YoY) in 2024 and ₩1.6tr (+17% YoY) in 2025 (EBITDA forecasts: ₩426bn in 2024 and ₩515bn in 2025).

SK Siltron: Due to high channel inventory, customers have not yet resumed wafer purchases despite ongoing utilization recoveries. That said, we expect earnings at SK Siltron to improve from 2H24 on a sales volume recovery, with revenue climbing 5.1% YoY to ₩2.1tr in 2024 and 17.5% YoY to ₩2.5tr in 2025 (EBITDA forecasts: ₩689bn in 2024 and ₩910bn in 2025). For silicon carbide (SiC) wafers (a new business), the firm received a US\$544mn loan from the US government in Feb. 2023 and obtained further support from the state of Michigan in Apr. 2024 (US\$77mn in investment subsidies and tax incentives); this suggests that the company is positioning itself as a key partner of the US government in building an electric vehicle value chain.

SK E&S: We forecast the system marginal price (SMP) to move lower amid stabilizing global energy prices (including LNG). Nevertheless, we project revenue to jump 11.9% YoY to ₩12.5tr in 2024 and 8.9% YoY to ₩13.6tr in 2025 (EBITDA forecasts: ₩2tr in 2024 and ₩2.3tr in 2025), backed by: 1) the superior power generation efficiency of the Yeosu plant (brought online in 2023); and 2) cost competitiveness (relative to rivals) resulting from direct LNG sourcing.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	3,370	4,137	4,219	4,773	5,474
OP (Wbn)	1,109	1,550	1,502	1,923	2,480
OP margin (%)	32.9	37.5	35.6	40.3	45.3
NP (Wbn)	544	363	1,061	1,518	1,847
EPS (₩)	7,287	4,904	14,384	20,580	25,037
ROE (%)	3.4	2.3	6.5	8.8	9.9
P/E (x)	25.9	36.3	11.0	7.7	6.3
P/B (x)	0.8	0.7	0.6	0.6	0.5
Dividend yield (%)	2.6	2.8	3.2	3.2	3.2

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

Table 1. TP calculation

Category	Value	Notes
Parent business value (A)	W6.9tr	4.3x (avg. EV/EBITDA of Hanwha Corp., CJ Corp., LG Corp., and Samsung SDS) applied to 2024F EBITDA
Value of subsidiaries (B)	W19.3tr	50% discount
Net borrowings (C)	W10.2tr	Non-consolidated basis
Treasury stock (D)	W3.0tr	18,681,226 shares
Fair market value (E)	W19.0tr	(E) = (A) + (B) - (C) + (D)
No. of shares (F)	73,764,464	Retirement of 695,626 shares not reflected
Target price	W258,067	(E)/(F); maintain TP of W270,000
Current price	W158,100	
Upside potential	70.8 %	

Source: Company data, Mirae Asset Securities Research

Table 2. Value of subsidiary stakes

Company name	Fair value (Wtr)	Ownership (%)	Stake value (Wtr)	Notes
Unlisted			13.7	
SK Materials	5.8	100.0	5.8	13.9x (avg. EV/EBITDA of Entegris and Adeka) applied to 2024F EBITDA
SK Siltron	5.4	51.0	2.7	7.8x (avg. EV/EBITDA of Sumco and Shin-Etsu) applied to 2024F EBITDA
SK E&S	5.7	90.0	5.1	6.7x (avg. EV/EBITDA of KEPCO and KOGAS) applied to 2024F EBITDA
Listed subsidiaries			16.9	Current market cap
SK Innovation	9.8	34.5	3.4	
SK Telecom	11.1	30.0	3.3	
SK Square	10.7	30.6	3.3	
SK Networks	1.1	41.2	0.4	
SKC	5.2	40.6	2.1	
SK Biopharm	6.6	64.0	4.2	
SK Signet	0.2	51.5	0.1	
Other			8.1	Book value
Total			38.7	

Source: Company data, Mirae Asset Securities Research

SK Inc. (034730 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	4,137	4,219	4,773	5,474
Cost of revenue	0	0	0	0
GP	4,137	4,219	4,773	5,474
SG&A expenses	2,587	2,717	2,849	2,994
OP (adj.)	1,550	1,502	1,923	2,480
OP	1,550	1,502	1,923	2,480
Non-operating profit	-1,111	-368	-394	-470
Net financial income	-380	-368	-395	-470
Net income from associates	0	0	0	0
Pretax profit	439	1,134	1,529	2,010
Income tax	76	73	11	163
Profit from continuing operations	363	1,061	1,518	1,847
Profit from discontinued operations	0	0	0	0
NP	363	1,061	1,518	1,847
Attributable to owners	363	1,061	1,518	1,847
Attributable to minority interests	0	0	0	0
Total comprehensive income	354	1,061	1,518	1,847
Attributable to owners	354	1,061	1,518	1,847
Attributable to minority interests	0	0	0	0
EBITDA	1,682	1,634	2,055	2,611
FCF	1,293	1,077	1,544	1,871
EBITDA margin (%)	40.7	38.7	43.1	47.7
OP margin (%)	37.5	35.6	40.3	45.3
Net margin (%)	8.8	25.1	31.8	33.7

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	1,638	1,515	1,842	1,721
Cash & equivalents	369	189	343	1
AR & other receivables	468	508	575	659
Inventory	0	0	0	0
Other current assets	801	818	924	1,061
Non-current assets	27,001	27,454	30,520	34,403
Investments in associates	22,119	22,558	25,518	29,267
PP&E	589	589	588	588
Intangible assets	2,152	2,151	2,150	2,149
Total assets	28,639	28,969	32,363	36,125
Current liabilities	5,526	4,063	4,162	4,287
AP & other payables	214	235	266	305
Short-term financial liabilities	4,882	3,390	3,401	3,414
Other current liabilities	430	438	495	568
Non-current liabilities	7,195	8,202	10,251	12,313
Long-term financial liabilities	6,828	7,828	9,828	11,828
Other non-current liabilities	367	374	423	485
Total liabilities	12,721	12,265	14,413	16,601
Equity attributable to owners	15,918	16,704	17,950	19,524
Capital stock	16	16	16	16
Capital surplus	5,182	5,182	5,182	5,182
Retained earnings	12,461	13,247	14,492	16,067
Minority interests	0	0	0	0
Shareholders' equity	15,918	16,704	17,950	19,524

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	1,387	1,177	1,644	1,971
NP	363	1,061	1,518	1,847
Non-cash income/expenses	-48	-726	-762	-534
Depreciation	101	100	100	100
Amortization	31	31	31	31
Other	-180	-857	-893	-665
Chg. in working capital	115	-15	-5	-7
Chg. in AR & other receivables	54	-42	-66	-84
Chg. in inventory	0	0	0	0
Chg. in AP & other payables	-53	3	17	21
Income tax	-10	-73	-11	-163
Cash flow from investing activities	-946	-151	-269	-305
Chg. in PP&E	-94	-100	-100	-100
Chg. in intangible assets	-34	-30	-30	-30
Chg. in financial assets	-151	-21	-139	-175
Other	-667	0	0	0
Cash flow from financing activities	-187	-768	1,738	1,741
Chg. in financial liabilities	42	-493	2,011	2,014
Chg. in equity	22	0	0	0
Dividends	-279	-275	-273	-273
Other	28	0	0	0
Chg. in cash	253	-180	154	-342
Beginning balance	116	369	189	343
Ending balance	369	189	343	1

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

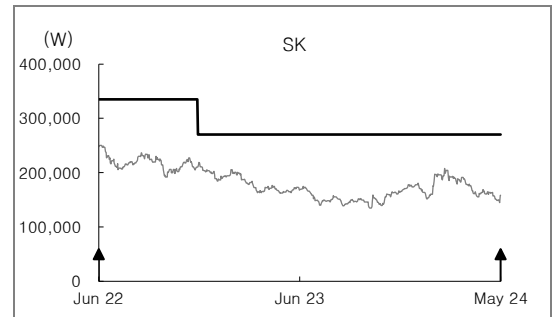
	2023	2024F	2025F	2026F
P/E (x)	36.3	11.0	7.7	6.3
P/CF (x)	41.8	34.8	15.4	8.9
P/B (x)	0.7	0.6	0.6	0.5
EV/EBITDA (x)	14.4	13.7	11.8	10.2
EPS (W)	4,904	14,384	20,580	25,037
CFPS (W)	4,260	4,540	10,252	17,792
BPS (W)	242,368	253,024	269,908	291,250
DPS (W)	5,000	5,000	5,000	5,000
Dividend payout ratio (%)	75.5	25.7	18.0	14.8
Dividend yield (%)	2.8	3.2	3.2	3.2
Revenue growth (%)	22.8	2.0	13.1	14.7
EBITDA growth (%)	35.7	-2.9	25.8	27.1
OP growth (%)	39.8	-3.1	28.1	28.9
EPS growth (%)	-32.7	193.3	43.1	21.7
AR turnover (x)	8.3	8.7	8.9	8.9
Inventory turnover (x)	25,458.6	26,475.2	27,026.2	27,200.7
AP turnover (x)	0.0	0.0	0.0	0.0
ROA (%)	1.3	3.7	5.0	5.4
ROE (%)	2.3	6.5	8.8	9.9
ROIC (%)	34.9	39.4	53.9	63.4
Debt-to-equity ratio (%)	79.9	73.4	80.3	85.0
Current ratio (%)	29.6	37.3	44.3	40.1
Net debt-to-equity ratio (%)	69.8	64.6	70.3	76.5
Interest coverage ratio (x)	3.8	3.7	4.5	4.9

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
SK Inc. (034730)	11/28/22	Buy	270,000
	05/31/22	Buy	335,000



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
