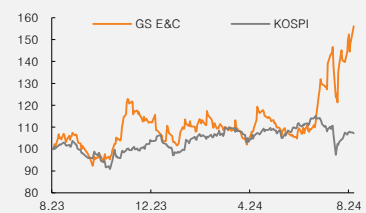


(Maintain)	Buy
Target price	▲ W28,000
Current price (8/27/24)	W21,550
Upside	29.9%

OP (24F, Wbn)	389
Consensus OP (24F, Wbn)	359
EPS growth (24F, %)	-
Market EPS growth (24F, %)	87.4
P/E (24F, x)	7.8
Market P/E (24F, x)	10.3
KOSPI	2,689.25

Market cap (Wbn)	1,844
Shares (mn)	86
Free float (%)	74.9
Foreign ownership (%)	21.5
Beta (12M)	0.32
52-week low (W)	12,750
52-week high (W)	21,550

(%)	1M	6M	12M
Absolute	12.2	40.7	53.9
Relative	14.0	37.3	44.2



Mirae Asset Securities Co., Ltd.

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GS E&C

Turning around

Full-year earnings to turn around on conservative cost management

In 2023, GS E&C's building/housing cost ratio reached 100.3% due to expenses related to the Incheon garage collapse and the firm's subsequent conservative cost management approach. However, the cost ratio improved significantly in 1H24, falling to 91.2% in 1Q24 and 89% in 2Q24—better than the company's guidance (93-94%) and also solid relative to peers. In 2H24, we expect the cost ratio to remain better than guidance.

For the full year, we expect GS E&C to deliver consolidated revenue of W13tr (-3.5% YoY) and swing to an operating profit of W388.8bn. In 2023, the firm suffered an operating loss of W387.9bn due to the recognition of W552.6bn in provisioning and reconstruction expenses related to the Incheon accident in 2Q23.

Increased orders (GS Inima) and potential sale of subsidiaries

In 2Q24, water treatment subsidiary GS Inima's order backlog grew to W15.2tr (+W3.7tr from the end-2023 level), including W1.8tr from the Ghubrah III desalination plant project in Oman and W0.9tr from the Cesan sewage treatment project in Brazil. In 3Q24, the Ourinhos sanitation project (W0.9tr) in Brazil will also be reflected. The subsidiary is seeking to win more orders in the Middle East by expanding its concession-focused business model to include engineering, procurement, and construction (EPC).

GS E&C is striving to strengthen its financial position through the sale of subsidiaries. Of note, liquidity conditions should receive a boost from the likely sale of GS Inima shares; we believe the subsidiary could fetch a higher valuation than in the past based on its strong order wins this year. We estimate GS Inima's value at roughly the mid-W1tr level (2023 revenue of W493bn and net profit of W52.2bn).

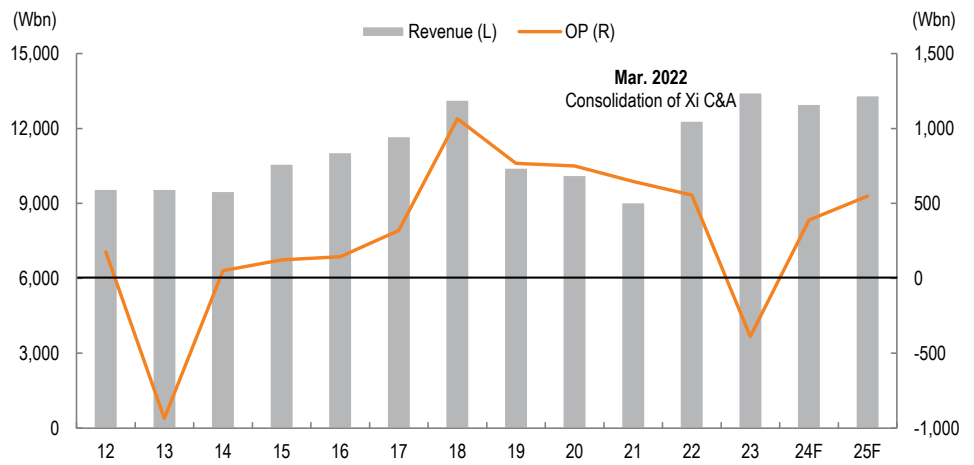
Maintain Buy and raise TP to W28,000; top pick in construction

We maintain our Buy rating on GS E&C and raise our target price by 17% to W28,000 (from W24,000). Reflecting cost ratio improvements and recovering market conditions, we revised up our target P/B from 0.46x to 0.55x. Our investment points remain intact, with: 1) housing stocks likely to rebound amid recovering investor sentiment; and 2) GS E&C likely to achieve an earnings turnaround and improve its financial structure.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	12,299	13,437	12,967	13,316	13,711
OP (Wbn)	555	-388	389	548	592
OP margin (%)	4.5	-2.9	3.0	4.1	4.3
NP (Wbn)	339	-482	237	289	336
EPS (W)	3,964	-5,631	2,768	3,379	3,929
ROE (%)	7.2	-10.5	5.5	6.4	7.1
P/E (x)	5.3	-	7.8	6.4	5.5
P/B (x)	0.4	0.3	0.4	0.4	0.4
Dividend yield (%)	6.1	0.0	2.3	2.8	4.6

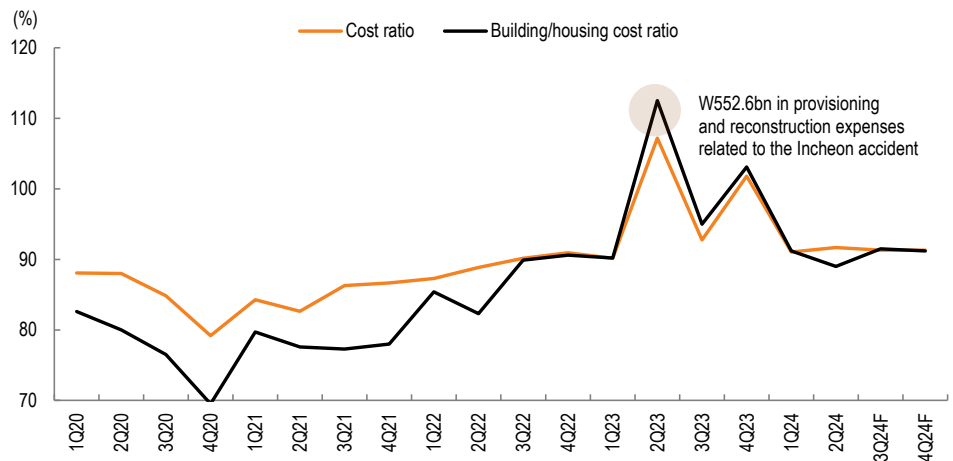
Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent
Source: Company data, Mirae Asset Securities Research estimates

Figure 1. GS E&C: Annual revenue and OP



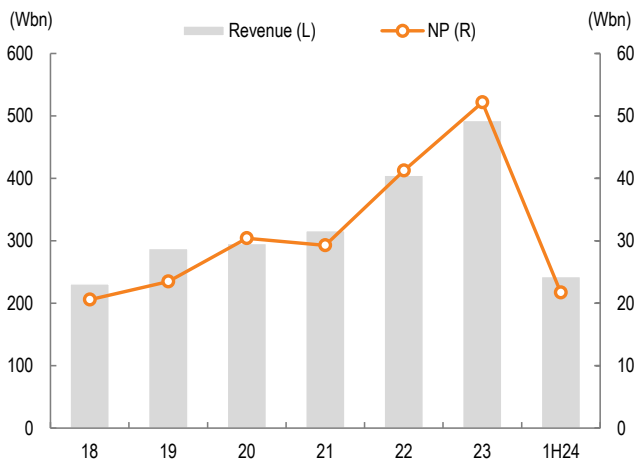
Source: Company data, Mirae Asset Securities Research estimates

Figure 2. GS E&C: Quarterly cost ratio trend and outlook



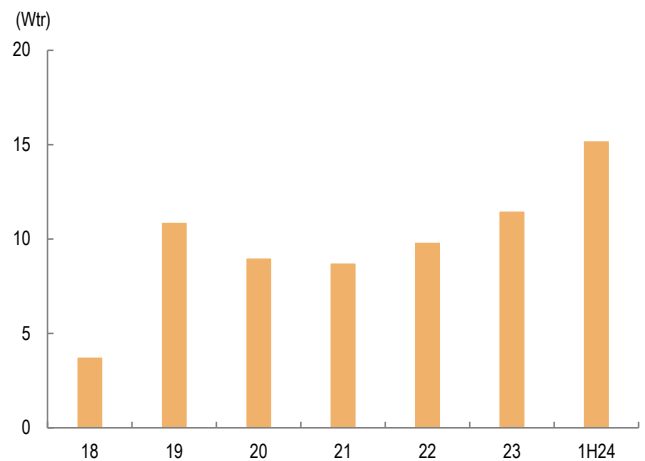
Source: Company data, Mirae Asset Securities Research estimates

Figure 3. GS Inima: Annual revenue and OP



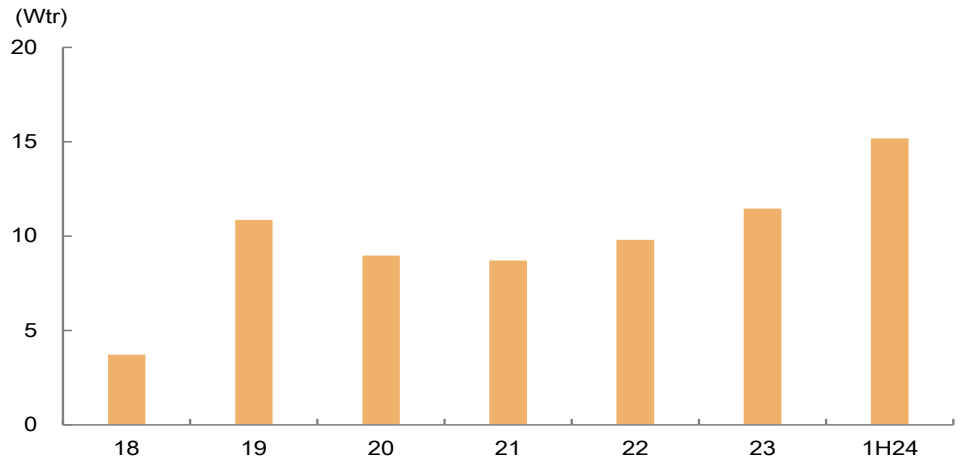
Source: Company data, Mirae Asset Securities Research

Figure 4. GS Inima: Order backlog



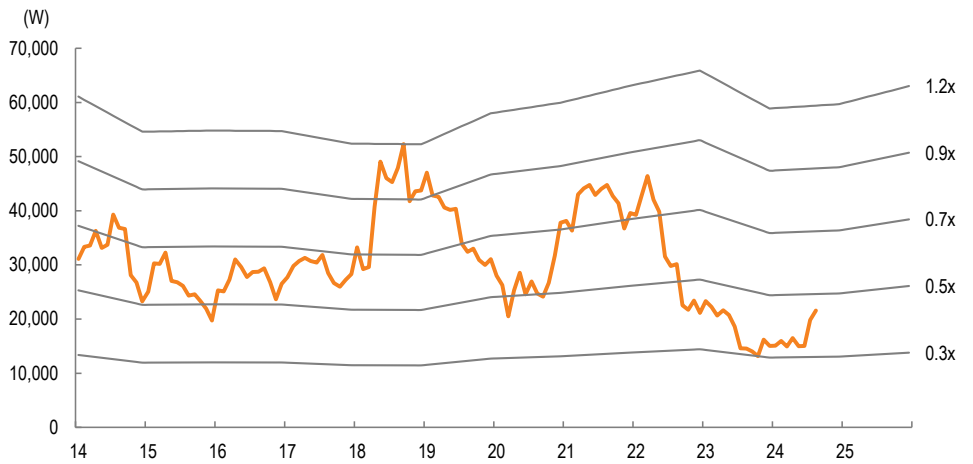
Source: Company data, Mirae Asset Securities Research

Figure 5. GS E&C: Net borrowings trend



Source: Company data, Mirae Asset Securities Research

Figure 6. GS E&C: P/B band chart



Source: Mirae Asset Securities Research

Table 1. GS E&C: TP calculation

(W, %, x)

	Value	Notes
BPS	51,533	2024F
Target P/B	0.55	10% premium to the avg. of the lower part of the P/B range
TP	28,000	Rounded up
CP	21,550	Aug. 27 closing price
Upside	30%	

Source: Mirae Asset Securities Research

GS E&C (006360 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	13,437	12,967	13,316	13,711
Cost of revenue	13,174	11,844	12,068	12,398
GP	263	1,123	1,248	1,313
SG&A expenses	650	734	700	721
OP (adj.)	-388	389	548	592
OP	-388	389	548	592
Non-operating profit	-129	-44	-111	-84
Net financial income	-108	-135	-95	-85
Net income from associates	40	31	14	21
Pretax profit	-517	345	437	508
Income tax	-98	91	122	142
Profit from continuing operations	-420	254	314	366
Profit from discontinued operations	0	0	0	0
NP	-420	254	314	366
Attributable to owners	-482	237	289	336
Attributable to minority interests	62	18	25	29
Total comprehensive income	-336	179	314	366
Attributable to owners	-406	112	113	131
Attributable to minority interests	70	67	202	235
EBITDA	-195	586	747	793
FCF	-6	-20	294	293
EBITDA margin (%)	-1.5	4.5	5.6	5.8
OP margin (%)	-2.9	3.0	4.1	4.3
Net margin (%)	-3.6	1.8	2.2	2.5

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	9,482	9,390	9,547	9,731
Cash & equivalents	2,245	2,147	2,286	2,412
AR & other receivables	2,979	2,988	3,002	3,035
Inventory	1,339	1,345	1,356	1,374
Other current assets	2,919	2,910	2,903	2,910
Non-current assets	8,225	8,497	8,528	8,568
Investments in associates	215	221	223	226
PP&E	2,256	2,464	2,493	2,535
Intangible assets	961	998	1,011	1,012
Total assets	17,707	17,887	18,075	18,300
Current liabilities	8,796	8,691	8,631	8,626
AP & other payables	1,811	1,833	1,849	1,875
Short-term financial liabilities	2,449	2,534	2,483	2,493
Other current liabilities	4,536	4,324	4,299	4,258
Non-current liabilities	4,026	4,119	4,095	4,011
Long-term financial liabilities	3,328	3,420	3,390	3,299
Other non-current liabilities	698	699	705	712
Total liabilities	12,822	12,810	12,726	12,637
Equity attributable to owners	4,314	4,374	4,621	4,906
Capital stock	428	428	428	428
Capital surplus	942	905	905	905
Retained earnings	3,046	3,283	3,530	3,815
Minority interests	571	703	728	757
Shareholders' equity	4,885	5,077	5,349	5,663

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	470	265	495	509
NP	-420	254	314	366
Non-cash income/expenses	1,103	310	398	409
Depreciation	167	171	172	174
Amortization	26	27	27	27
Other	910	112	199	208
Chg. in working capital	27	-29	-5	-44
Chg. in AR & other receivables	-288	479	-3	-3
Chg. in inventory	314	73	-11	-18
Chg. in AP & other payables	-96	-49	13	22
Income tax	-159	-65	-122	-142
Cash flow from investing activities	-763	-409	-248	-264
Chg. in PP&E	-475	-282	-201	-216
Chg. in intangible assets	-28	-50	-40	-28
Chg. in financial assets	-387	13	-12	-24
Other	127	-90	5	4
Cash flow from financing activities	496	-3	-122	-133
Chg. in financial liabilities	819	177	-80	-82
Chg. in equity	-1	-37	0	0
Dividends	-135	-20	-42	-51
Other	-187	-123	0	0
Chg. in cash	221	-97	138	126
Beginning balance	2,024	2,245	2,147	2,286
Ending balance	2,245	2,147	2,286	2,412

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

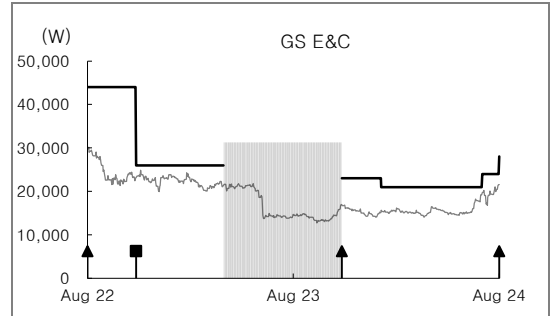
	2023	2024F	2025F	2026F
P/E (x)	-	7.8	6.4	5.5
P/CF (x)	1.9	3.3	2.6	2.4
P/B (x)	0.3	0.4	0.4	0.4
EV/EBITDA (x)	-	9.2	6.9	6.2
EPS (W)	-5,631	2,768	3,379	3,929
CFPS (W)	7,983	6,600	8,324	9,050
BPS (W)	50,839	51,533	54,416	57,750
DPS (W)	0	500	600	1,000
Dividend payout ratio (%)	0.0	16.7	16.2	23.2
Dividend yield (%)	0.0	2.3	2.8	4.6
Revenue growth (%)	9.2	-3.5	2.7	3.0
EBITDA growth (%)	-	-	27.4	6.2
OP growth (%)	-	-	40.9	8.0
EPS growth (%)	-	-	22.1	16.3
AR turnover (x)	173.3	175.3	175.2	173.5
Inventory turnover (x)	9.5	9.7	9.9	10.0
AP turnover (x)	8.0	7.3	7.4	7.5
ROA (%)	-2.4	1.4	1.7	2.0
ROE (%)	-10.5	5.5	6.4	7.1
ROIC (%)	-7.0	5.6	7.5	8.0
Debt-to-equity ratio (%)	262.5	252.3	237.9	223.1
Current ratio (%)	107.8	108.0	110.6	112.8
Net debt-to-equity ratio (%)	51.4	55.6	48.3	41.6
Interest coverage ratio (x)	-1.3	1.3	1.8	2.0

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (W)
GS E&C (006360)	08/28/24	Buy	28,000
	07/29/24	Buy	24,000
	02/01/24	Buy	21,000
	11/23/23	Buy	23,000
	04/28/23	No Coverage	
	11/23/22	Trading Buy	26,000
	07/11/22	Buy	44,000



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	79.52%	12.05%	8.43%	0%
Investment banking services	85%	5%	10%	0%

* Based on recommendations in the last 12-months (as of June 30, 2024)

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