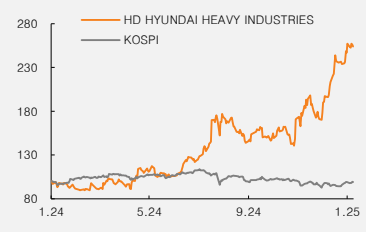


| | |
|-------------------------|-------------------|
| (Maintain) | Buy |
| Target price | ▲ W383,000 |
| Current price (1/17/25) | W310,000 |
| Upside | 23.5% |

| | |
|----------------------------|----------|
| OP (24F, Wbn) | 708 |
| Consensus OP (24F, Wbn) | 683 |
| EPS growth (24F, %) | 1,750.5 |
| Market EPS growth (24F, %) | 69.1 |
| P/E (24F, x) | 55.9 |
| Market P/E (24F, x) | 10.7 |
| KOSPI | 2,523.55 |

| | |
|-----------------------|---------|
| Market cap (Wbn) | 27,520 |
| Shares (mn) | 89 |
| Free float (%) | 24.7 |
| Foreign ownership (%) | 10.8 |
| Beta (12M) | 0.25 |
| 52-week low (W) | 109,600 |
| 52-week high (W) | 314,000 |

| (%) | 1M | 6M | 12M |
|----------|------|-------|-------|
| Absolute | 29.4 | 81.1 | 172.2 |
| Relative | 26.0 | 104.0 | 162.7 |



Mirae Asset Securities Co., Ltd.

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329180 KS · Shipbuilding

HD Hyundai Heavy Industries

Strong naval ship and engine businesses justify premium

4Q24 preview: Likely to deliver above-consensus OP

For 4Q24, we expect HD Hyundai Heavy Industries (HD HHI) to post revenue of W4.33tr (+26.7% YoY; 9% above the consensus), operating profit of W285.2bn (+105.7%; 12.8% above the consensus), and OP margin of 6.6% (+0.9%p QoQ, +2.5%p YoY). We attribute the likely consensus beat to: 1) a QoQ increase in the number of working days (53 → 62 days); 2) a sharply higher USD/KRW rate (1,308 → 1,473; +12.6% QoQ); and 3) enhanced production efficiency and cost savings.

Positive 2025 order guidance; engine business to prop up earnings

For 2025, HD HHI guided standalone revenue at W15.8tr (2% below the consensus of W16.1tr) and new order intake at US\$12.58bn (equivalent to 1.2 years of revenue). By segment, the company sees orders growing 21% YoY for shipbuilding and engines, 58.6% YoY for special-purpose (naval) vessels, and 85.6% YoY for offshore plants.

We forecast 2025 revenue at W16.34tr (+10.4% YoY) and operating profit at W1.19tr (+68.1% YoY; OP margin of 7.3%). This year, the company will likely deliver six of the 17 LNG carriers ordered by Qatar as well as all 10 methane carriers ordered in 2022. However, as these are not high-margin vessel types, we forecast shipbuilding OP margin to reach only the mid/high-single digit range. Still company-wide OP margin should rise on the back of sustained improvement in engine margins, a slight fall in heavy plate prices, and the offshore plant business (expected to break even in 2H25).

Lift TP by 47.3% to W383,000; maintain Buy

We maintain our Buy rating on HD HHI and lift our target price to W383,000 (from W260,000; 23.5% upside). Our target price is based on our 2027F BPS of W102,863 (vs. 2026-27F average BPS of W99,494 previously) and a P/B of 3.7x (based on 2027F sustainable ROE of 13.7%, COE of 7.1%, and a terminal growth rate of 2.6%; 30% premium). We lifted our target multiple from 2.6x to reflect a premium stemming from the firm's competitive advantages in special-purpose vessels and engines. Based on our 2027F EPS of W21,190, our target price implies a P/E of 18.1x.

| (Dec.) | 2022 | 2023 | 2024F | 2025F | 2026F |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (Wbn) | 9,045 | 11,964 | 14,806 | 16,341 | 18,482 |
| OP (Wbn) | -289 | 179 | 708 | 1,190 | 1,785 |
| OP margin (%) | -3.2 | 1.5 | 4.8 | 7.3 | 9.7 |
| NP (Wbn) | -352 | 25 | 457 | 891 | 1,397 |
| EPS (W) | -3,966 | 278 | 5,146 | 10,034 | 15,739 |
| ROE (%) | -6.5 | 0.5 | 8.4 | 14.6 | 19.6 |
| P/E (x) | - | 463.9 | 55.9 | 30.9 | 19.7 |
| P/B (x) | 1.9 | 2.2 | 4.5 | 4.2 | 3.6 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 1.0 | 1.5 |

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

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the US.

Table 1. Earnings forecast revisions

(Wbn)

| | Previous | | Revised | | % chg. | | Notes |
|---------------|----------|--------|---------|--------|--------|-------|--------------------------|
| | 2024F | 2025F | 2024F | 2025F | 2024F | 2025F | |
| Revenue | 14,596 | 16,347 | 14,806 | 16,341 | 1.4 | 0.0 | Reflected 4Q24F earnings |
| OP | 689 | 1,239 | 708 | 1,190 | 2.8 | -3.9 | |
| Pretax profit | 551 | 1,129 | 571 | 1,082 | 3.6 | -4.2 | |
| NP | 441 | 926 | 457 | 891 | 3.6 | -3.8 | |
| EPS (W) | 4,988 | 10,433 | 5,146 | 10,034 | 3.2 | -3.8 | |

Source: Mirae Asset Securities Research

Table 2. Quarterly and annual earnings

(Wbn)

| | | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24F | 2023 | 2024F | 2025F | 2026F |
|-----------------------------------|--------------------|--------|--------|--------|--------|--------|--------|---------|-------|--------|---------|--------|--------|
| Order backlog | Total | 34,613 | 36,032 | 38,705 | 41,461 | 45,979 | 46,329 | 43,957 | | 41,461 | 48,861 | 52,847 | 58,576 |
| | Shipbuilding | 26,608 | 28,052 | 28,802 | 32,399 | 34,832 | 34,838 | 32,776 | | 32,399 | | | |
| | Offshore | 1,271 | 1,004 | 2,446 | 2,011 | 3,517 | 3,516 | 3,184 | | 2,011 | | | |
| | Other | 6,734 | 6,975 | 7,457 | 7,050 | 7,630 | 7,974 | 7,997 | | 28,216 | | | |
| Revenue | Total | 2,633 | 3,064 | 2,854 | 3,413 | 2,988 | 3,884 | 3,609 | 4,325 | 11,964 | 14,806 | 16,341 | 18,482 |
| | Shipbuilding | 1,766 | 1,969 | 1,887 | 2,280 | 2,155 | 2,840 | 2,605 | 3,239 | 7,902 | 10,838 | 11,661 | 12,651 |
| | Offshore | 461 | 279 | 254 | 277 | 113 | 158 | 176 | 180 | 1,270 | 626 | 806 | 1,613 |
| | Engine & machinery | 388 | 796 | 694 | 832 | 703 | 865 | 810 | 874 | 2,710 | 3,252 | 3,740 | 4,076 |
| | Other | 18 | 21 | 55 | 24 | 18 | 21 | 19 | 33 | 119 | 90 | 134 | 141 |
| Growth (%) | Total | 31.5 | 41.5 | 29.5 | 27.6 | 13.5 | 26.7 | 26.5 | 26.7 | 32.3 | 23.8 | 10.4 | 13.1 |
| | Shipbuilding | 13.5 | 24.8 | 19.5 | 30.0 | 22.0 | 44.2 | 38.1 | 42.0 | 22.2 | 37.2 | 7.6 | 8.5 |
| | Offshore | 421.5 | 71.7 | 38.0 | -21.1 | -75.6 | -43.2 | -30.8 | -35.0 | 61.7 | -50.7 | 28.7 | 100.2 |
| | Engine & machinery | 14.0 | 96.6 | 64.6 | 51.8 | 80.9 | 8.7 | 16.7 | 5.1 | 58.0 | 20.0 | 15.0 | 9.0 |
| | Other | 12.5 | 1.8 | 174.5 | 15.4 | -2.7 | -0.9 | -66.3 | 34.5 | 52.0 | -24.2 | 49.6 | 5.1 |
| OP | | -41 | 69 | 13 | 139 | 21 | 196 | 206 | 285.2 | 179 | 708 | 1,190 | 1,785 |
| YoY (%) | | RR | TTB | -10.0 | 525.2 | TTB | 185.5 | 1,496.8 | 105.7 | TTB | 296.4 | 68.1 | 50.0 |
| OP margin (%) | | -1.6 | 2.2 | 0.5 | 4.1 | 0.7 | 5.0 | 5.7 | 6.6 | 1.5 | 4.8 | 7.3 | 9.7 |
| NP (att. to owners of the parent) | | -21 | 24 | -10 | 31 | 29 | 154 | 72 | 202 | 25 | 457 | 891 | 1,397 |
| YoY (%) | | RR | TTB | TTR | TTB | TTB | 540.3 | TTB | 551.2 | TTB | 1,750.2 | 95.0 | 56.8 |
| Net margin (%) | | -0.8 | 0.8 | -0.3 | 0.9 | 1.0 | 4.0 | 2.0 | 4.7 | 0.2 | 3.1 | 5.5 | 7.6 |

Source: Company data, Mirae Asset Securities Research

Table 3. TP calculation (P/B valuation)

| | 2020 | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F | 2027F |
|---------------------------|------|------|---------|---------|---------|---------|---------|---------|
| ROE (a) | | | -6.5% | 0.5% | 8.4% | 14.6% | 19.6% | 22.2% |
| Dividend payout (b) | | | 0.0% | 0.0% | 0.0% | 30.0% | 30.0% | 30.0% |
| Retention ratio (c = 1-b) | | | 100.0% | 100.0% | 100.0% | 70.0% | 70.0% | 70.0% |
| Sustainable ROE (a*c) | | | -6.5% | -6.5% | 0.5% | 8.4% | 10.2% | 13.7% |
| Risk-free rate (d) | | | 3.6% | 3.4% | 2.6% | 2.0% | 2.0% | 2.0% |
| Beta (e) | | | 1.0 | 1.0 | 0.9 | 0.8 | 0.8 | 0.8 |
| Market risk premium (f) | | | 7.5% | 7.0% | 6.5% | 6.1% | 6.1% | 6.1% |
| Cost of equity (d+f*e) | | | 11.1% | 11.1% | 10.1% | 8.2% | 7.1% | 7.1% |
| Terminal growth rate (g) | | | 2.0% | 2.0% | 2.6% | 2.6% | 2.6% | 2.6% |
| Premium | | | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| Fair P/B (x) | | | | | | | | 3.7 |
| BPS (W) | | | 61,290 | 59,113 | 63,783 | 73,818 | 86,546 | 102,863 |
| Fair value per share (W) | | | | | | | | 382,559 |
| No. of shares (mn) | | | 89 | 89 | 89 | 89 | 89 | 89 |
| Current market cap (Wbn) | | | 10,298 | 11,452 | 25,522 | 27,875 | 27,875 | 27,875 |
| Current price (W) | | | 116,000 | 129,000 | 287,500 | 310,000 | 310,000 | 310,000 |
| Upside | | | | | | | | 23.5% |
| EPS (W) | | | -3,966 | 278 | 5,146 | 10,034 | 15,739 | 21,190 |
| P/E (x) | | | -29.2 | 463.8 | 55.9 | 31.3 | 20.0 | 14.8 |
| Implied P/E (x) | | | -96.6 | 1377.1 | 74.4 | 38.2 | 24.3 | 18.1 |

| Target valuation | | | Key assumptions: |
|-------------------|---------|-----------|---|
| BPS (W) | 102,863 | 2027F BPS | 1) Risk-free rate = 3Y KTB yield |
| Target P/B (x) | 3.7 | 2027F P/B | 2) Beta = 52-week beta |
| Target price (W) | 383,000 | | 3) Market risk premium = 3Y BBB- corporate bond yield - 3Y KTB yield |
| Current price (W) | 310,000 | | 4) Terminal growth rate = 2024-26F avg. global GDP growth rate |
| Upside potential | 23.5% | | 5) Premium = 30% (reflecting strength in engines and special-purpose vessels) |

Source: Mirae Asset Securities Research estimates

HD Hyundai Heavy Industries (329180 KS)

Income statement (summarized)

| (Wbn) | 2023 | 2024F | 2025F | 2026F |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Revenue | 11,964 | 14,806 | 16,341 | 18,482 |
| Cost of revenue | 11,309 | 13,436 | 14,532 | 16,108 |
| GP | 655 | 1,370 | 1,809 | 2,374 |
| SG&A expenses | 476 | 662 | 618 | 589 |
| OP (adj.) | 179 | 708 | 1,190 | 1,785 |
| OP | 179 | 708 | 1,190 | 1,785 |
| Non-operating profit | -145 | -137 | -108 | -82 |
| Net financial income | -83 | -93 | -51 | -11 |
| Net income from associates | 0 | 14 | 66 | 66 |
| Pretax profit | 34 | 571 | 1,082 | 1,703 |
| Income tax | 10 | 114 | 191 | 305 |
| Profit from continuing operations | 25 | 457 | 891 | 1,397 |
| Profit from discontinued operations | 0 | 0 | 0 | 0 |
| NP | 25 | 457 | 891 | 1,397 |
| Attributable to owners | 25 | 457 | 891 | 1,397 |
| Attributable to minority interests | 0 | 0 | 0 | 0 |
| Total comprehensive income | -85 | 456 | 891 | 1,397 |
| Attributable to owners | -85 | 456 | 891 | 1,397 |
| Attributable to minority interests | 0 | 0 | 0 | 0 |
| EBITDA | 457 | 1,008 | 1,496 | 2,101 |
| FCF | -309 | 1,330 | 982 | 1,249 |
| EBITDA margin (%) | 3.8 | 6.8 | 9.2 | 11.4 |
| OP margin (%) | 1.5 | 4.8 | 7.3 | 9.7 |
| Net margin (%) | 0.2 | 3.1 | 5.5 | 7.6 |

Balance sheet (summarized)

| (Wbn) | 2023 | 2024F | 2025F | 2026F |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Current assets | 8,800 | 9,381 | 10,788 | 12,082 |
| Cash & equivalents | 928 | 382 | 972 | 1,429 |
| AR & other receivables | 1,369 | 2,080 | 2,302 | 2,655 |
| Inventory | 1,310 | 1,730 | 2,272 | 2,465 |
| Other current assets | 5,193 | 5,189 | 5,242 | 5,533 |
| Non-current assets | 8,334 | 8,567 | 8,845 | 9,171 |
| Investments in associates | 1 | 2 | 2 | 2 |
| PP&E | 6,452 | 6,673 | 6,944 | 7,226 |
| Intangible assets | 108 | 115 | 103 | 93 |
| Total assets | 17,134 | 17,948 | 19,633 | 21,254 |
| Current liabilities | 9,945 | 11,095 | 12,033 | 12,645 |
| AP & other payables | 1,515 | 1,953 | 1,984 | 2,240 |
| Short-term financial liabilities | 1,928 | 1,106 | 1,089 | 1,005 |
| Other current liabilities | 6,502 | 8,036 | 8,960 | 9,400 |
| Non-current liabilities | 1,981 | 1,191 | 1,048 | 925 |
| Long-term financial liabilities | 1,884 | 1,068 | 918 | 778 |
| Other non-current liabilities | 97 | 123 | 130 | 147 |
| Total liabilities | 11,926 | 12,286 | 13,080 | 13,571 |
| Equity attributable to owners | 5,207 | 5,662 | 6,553 | 7,683 |
| Capital stock | 444 | 444 | 444 | 444 |
| Capital surplus | 3,123 | 3,123 | 3,123 | 3,123 |
| Retained earnings | 773 | 1,241 | 2,132 | 3,262 |
| Minority interests | 0 | 0 | 0 | 0 |
| Shareholders' equity | 5,207 | 5,662 | 6,553 | 7,683 |

Cash flow statement (summarized)

| (Wbn) | 2023 | 2024F | 2025F | 2026F |
|--|-------------|---------------|--------------|--------------|
| Operating cash flow | 169 | 1,830 | 1,544 | 1,833 |
| NP | 25 | 457 | 891 | 1,397 |
| Non-cash income/expenses | 292 | 460 | 713 | 832 |
| Depreciation | 268 | 287 | 293 | 305 |
| Amortization | 10 | 12 | 12 | 10 |
| Other | 14 | 161 | 408 | 517 |
| Chg. in working capital | -77 | 1,037 | 182 | -81 |
| Chg. in AR & other receivables | -228 | -624 | -207 | -310 |
| Chg. in inventory | 67 | -420 | -541 | -193 |
| Chg. in AP & other payables | 371 | 383 | 18 | 216 |
| Income tax | -2 | -51 | -191 | -305 |
| Cash flow from investing activities | -478 | -678 | -785 | -881 |
| Chg. in PP&E | -469 | -489 | -562 | -584 |
| Chg. in intangible assets | -36 | -19 | 0 | 0 |
| Chg. in financial assets | 244 | -116 | -58 | -96 |
| Other | -217 | -54 | -165 | -201 |
| Cash flow from financing activities | 503 | -1,550 | 284 | 23 |
| Chg. in financial liabilities | 369 | -1,638 | -166 | -225 |
| Chg. in equity | 5 | -1 | 0 | 0 |
| Dividends | 0 | 0 | 0 | -267 |
| Other | 129 | 89 | 450 | 515 |
| Chg. in cash | 184 | -546 | 590 | 457 |
| Beginning balance | 744 | 928 | 382 | 972 |
| Ending balance | 928 | 382 | 972 | 1,429 |

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

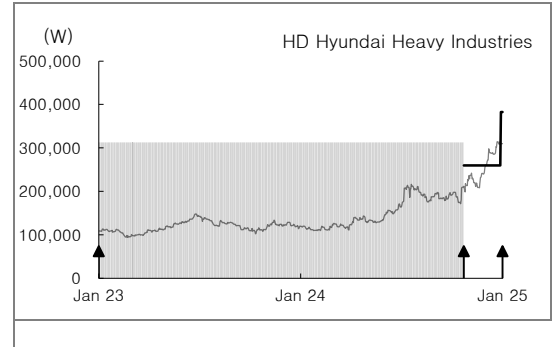
| | 2023 | 2024F | 2025F | 2026F |
|------------------------------|--------|---------|--------|--------|
| P/E (x) | 463.9 | 55.9 | 30.9 | 19.7 |
| P/CF (x) | 36.1 | 27.8 | 17.2 | 12.3 |
| P/B (x) | 2.2 | 4.5 | 4.2 | 3.6 |
| EV/EBITDA (x) | 30.4 | 26.6 | 18.8 | 13.0 |
| EPS (W) | 278 | 5,146 | 10,034 | 15,739 |
| CFPS (W) | 3,569 | 10,328 | 18,067 | 25,114 |
| BPS (W) | 58,660 | 63,783 | 73,818 | 86,546 |
| DPS (W) | 0 | 0 | 3,010 | 4,722 |
| Dividend payout ratio (%) | 0.0 | 0.0 | 30.0 | 30.0 |
| Dividend yield (%) | 0.0 | 0.0 | 1.0 | 1.5 |
| Revenue growth (%) | 32.3 | 23.8 | 10.4 | 13.1 |
| EBITDA growth (%) | TTB | 120.7 | 48.4 | 40.5 |
| OP growth (%) | TTB | 296.4 | 68.1 | 50.0 |
| EPS growth (%) | TTB | 1,750.5 | 95.0 | 56.8 |
| AR turnover (x) | 12.1 | 10.3 | 8.7 | 8.6 |
| Inventory turnover (x) | 8.9 | 9.7 | 8.2 | 7.8 |
| AP turnover (x) | 10.2 | 9.0 | 8.6 | 8.9 |
| ROA (%) | 0.1 | 2.6 | 4.7 | 6.8 |
| ROE (%) | 0.5 | 8.4 | 14.6 | 19.6 |
| ROIC (%) | 1.8 | 9.6 | 15.9 | 22.5 |
| Debt-to-equity ratio (%) | 229.0 | 217.0 | 199.6 | 176.6 |
| Current ratio (%) | 88.5 | 84.6 | 89.7 | 95.5 |
| Net debt-to-equity ratio (%) | 47.0 | 23.3 | 8.0 | -2.6 |
| Interest coverage ratio (x) | 1.4 | 5.1 | 12.5 | 20.7 |

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

| Company | Date | Rating | TP (W) |
|--------------------------------------|----------|-------------|---------|
| HD Hyundai Heavy Industries (329180) | 01/17/25 | Buy | 383,000 |
| | 11/11/24 | Buy | 260,000 |
| | 09/14/22 | No Coverage | |



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 | 84.62% | 7.14% | 8.24% | 0% |
| Investment banking services | 85.71% | 0% | 14.29% | 0% |

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

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