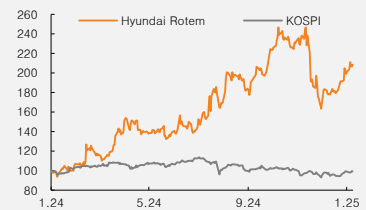


(Maintain)	Buy
Target price	W85,000
Current price (1/17/25)	W56,700
Upside	49.9%

OP (24F, Wbn)	468
Consensus OP (24F, Wbn)	455
EPS growth (24F, %)	147.3
Market EPS growth (24F, %)	69.1
P/E (24F, x)	13.6
Market P/E (24F, x)	10.7
KOSPI	2,523.55

Market cap (Wbn)	6,188
Shares (mn)	109
Free float (%)	66.2
Foreign ownership (%)	29.2
Beta (12M)	0.58
52-week low (W)	25,500
52-week high (W)	67,100

(%)	1M	6M	12M
Absolute	16.9	30.2	122.4
Relative	13.8	46.7	114.6



Mirae Asset Securities Co., Ltd.

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Hyundai Rotem

Earnings to dispel doubts

4Q24 preview: OP likely to beat consensus by 12.9%

For 4Q24, we expect Hyundai Rotem to report revenue of W1.39tr (+40.3% YoY; 8% above the consensus) and operating profit of W173.1bn (+148.0% YoY; 12.9% above consensus). OP margin likely remained strong at 12.5% (-0.3%p QoQ, +5.4%p YoY). We attribute the likely consensus beat to the completion of K2 gap filler deliveries to Poland (28 units) and favorable FX effects.

Follow-up contracts with Poland hold the key

Follow-up contracts with Poland (116 K2 gap filler units, 54 K2PL units, etc.; total value estimated at over W6-7tr) have been delayed several times since last year, but negotiations appear to be in the final stages. The key remaining issue is a pricing dispute between the Polish government and PGZ (Poland's state-owned defense group), as PGZ is seeking to reflect the costs of land acquisition and factory expansion/retooling into the K2PL production price. As Hyundai Rotem and the Korean government have completed all required procedures on their end, the contract should be signed as soon as internal disagreements on the Polish side are resolved.

If secured, follow-up contracts with Poland would help boost sentiment on the defense sector as a whole by signaling that: 1) demand for conventional weapons remains intact; and 2) defense exports can proceed as planned even amid the current political turmoil. Other potential K2 export deals in the pipeline include 54 units for Romania (W1.3tr), 60 units for Peru (W1.5tr), and 104 units for Slovakia (W2.6tr). We expect follow-up contracts with Poland to be signed in 1Q-2Q25 and a K2 export deal with Romania to materialize in 2H25. That said, with presidential elections set to take place in Poland (May) and Romania (June), it will be important to monitor any potential changes.

Retain Buy and TP of W85,000

We retain our Buy rating on Hyundai Rotem with a target price of W85,000 (2025F EPS of W5,173 and implied P/E of 16.4x). At a 12-month forward P/E of 11.6x, the stock looks undervalued. A potential increase in the defense order backlog and a turnaround in the rail solutions division should be key in lifting the stock's valuation discount.

(Dec.)	2022	2023	2024F	2025F	2026F
Revenue (Wbn)	3,163	3,587	4,323	5,707	6,109
OP (Wbn)	147	210	468	689	768
OP margin (%)	4.6	5.9	10.8	12.1	12.6
NP (Wbn)	198	161	398	565	628
EPS (W)	1,812	1,475	3,649	5,173	5,756
ROE (%)	14.1	10.1	21.3	24.2	21.5
P/E (x)	15.7	18.0	13.6	11.0	9.9
P/B (x)	2.0	1.7	2.6	2.4	1.9
Dividend yield (%)	0.0	0.4	0.2	0.2	0.2

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

Table 1. Earnings forecast revisions

(Wbn)

	Previous		Revised		% chg.		Notes
	24F	25F	24F	25F	24F	25F	
Revenue	4,231	5,597	4,323	5,707	2.2	2.0	Revised 4Q24 estimates
OP	410	665	468	689	14.1	3.6	Revised rail solutions margin
Pretax profit	450	697	488	701	8.5	0.6	
NP attr. to owners of the parent	399	595	398	565	-0.2	-5.1	
EPS (W)	3,658	5,455	3,654	5,180	-0.1	-5.0	

Source: Company data, Mirae Asset Securities Research

Table 2. Quarterly/annual earnings and forecasts

(Wbn)

		1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24F	2023	2024F	2025F	2026F
Order backlog	Total	14,314	16,604	18,142	17,500	18,589	18,773	18,993	20,865	17,500	20,865	27,343	31,270
	Rail solutions	8,280	9,988	11,719	11,410	12,709	13,101	13,656	14,348	11,410	14,348	16,316	18,185
	Defense solutions	5,502	5,971	5,635	5,426	5,230	5,013	4,476	5,598	5,426	5,598	10,196	12,407
	Eco-plants	532	646	788	665	650	659	862	919	665	919	831	678
Revenue	Total	684	987	927	989	748	1,095	1,094	1,388	3,587	4,323	5,707	6,109
	Rail solutions	369	392	381	411	276	391	408	415	1,554	1,491	1,718	1,818
	Defense solutions	260	484	414	420	318	565	585	818	1,578	2,285	3,382	3,619
	Eco-plants	55	110	132	159	153	139	101	154	456	547	607	672
Growth (%)	Total	1.0	25.6	18.5	7.8	9.3	10.9	18.0	40.3	13.4	20.5	32.0	7.0
	Rail solutions	-14.8	-19.7	-17.7	4.4	-25.1	-0.3	7.3	1.0	-12.7	-4.0	15.2	5.8
	Defense solutions	42.5	112.8	101.3	-5.4	22.3	16.5	41.2	95.0	49.0	44.8	48.0	7.0
	Eco-plants	-10.6	58.8	15.8	97.4	177.9	26.0	-23.9	-2.6	40.1	20.0	11.0	10.8
OP	32	67	41	70	45	113	137	173.1	210	468	689	768	
YoY (%)	35.5	113.9	29.2	15.1	40.0	67.7	234.3	148.0	42.4	122.8	47.2	11.5	
OP margin (%)	4.7	6.8	4.4	7.1	6.0	10.3	12.6	12.5	5.9	10.8	12.1	12.6	
NP attr. to owners of the parent	19	54	41	47	56	101	104	137	161	398	565	628	
YoY (%)	31.3	103.4	25.1	-62.1	197.7	87.5	153.0	190.9	-18.6	147.3	41.8	11.3	
Net margin (%)	2.8	5.5	4.4	4.7	7.5	9.3	9.5	9.8	4.5	9.2	9.9	10.3	

Source: Company data, Mirae Asset Securities Research

Hyundai Rotem (064350 KS)

Income statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Revenue	3,587	4,323	5,707	6,109
Cost of revenue	3,123	3,511	4,568	4,783
GP	464	812	1,139	1,326
SG&A expenses	254	345	450	558
OP (adj.)	210	468	689	768
OP	210	468	689	768
Non-operating profit	-29	20	12	12
Net financial income	0	14	33	47
Net income from associates	0	-9	-14	-35
Pretax profit	181	488	701	780
Income tax	24	93	140	156
Profit from continuing operations	157	396	561	624
Profit from discontinued operations	0	0	0	0
NP	157	396	561	624
Attributable to owners	161	398	565	628
Attributable to minority interests	-4	-3	-4	-4
Total comprehensive income	156	391	561	624
Attributable to owners	160	393	561	624
Attributable to minority interests	-4	-2	0	0
EBITDA	250	514	737	816
FCF	680	118	374	534
EBITDA margin (%)	7.0	11.9	12.9	13.4
OP margin (%)	5.9	10.8	12.1	12.6
Net margin (%)	4.5	9.2	9.9	10.3

Balance sheet (summarized)

(Wbn)	2023	2024F	2025F	2026F
Current assets	3,690	3,461	4,179	4,843
Cash & equivalents	396	506	818	1,303
AR & other receivables	402	503	606	560
Inventory	269	370	443	402
Other current assets	2,623	2,082	2,312	2,578
Non-current assets	1,551	1,604	1,665	1,704
Investments in associates	0	1	1	1
PP&E	1,234	1,300	1,362	1,395
Intangible assets	92	96	81	70
Total assets	5,241	5,065	5,844	6,547
Current liabilities	3,205	2,858	3,100	3,202
AP & other payables	528	763	914	957
Short-term financial liabilities	339	287	247	227
Other current liabilities	2,338	1,808	1,939	2,018
Non-current liabilities	390	183	169	158
Long-term financial liabilities	256	1	-19	-39
Other non-current liabilities	134	182	188	197
Total liabilities	3,595	3,041	3,269	3,360
Equity attributable to owners	1,680	2,060	2,614	3,231
Capital stock	546	546	546	546
Capital surplus	520	520	520	520
Retained earnings	317	705	1,259	1,876
Minority interests	-33	-36	-40	-44
Shareholders' equity	1,647	2,024	2,574	3,187

Cash flow statement (summarized)

(Wbn)	2023	2024F	2025F	2026F
Operating cash flow	734	212	472	604
NP	157	396	561	624
Non-cash income/expenses	156	164	156	157
Depreciation	27	32	36	37
Amortization	13	14	13	11
Other	116	118	107	109
Chg. in working capital	437	-316	-137	-67
Chg. in AR & other receivables	-93	-109	-104	48
Chg. in inventory	131	-206	-73	41
Chg. in AP & other payables	212	293	148	39
Income tax	-15	-46	-140	-156
Cash flow from investing activities	-270	257	-76	-52
Chg. in PP&E	-54	-94	-98	-70
Chg. in intangible assets	-26	-21	2	0
Chg. in financial assets	-204	357	19	17
Other	14	15	1	1
Cash flow from financing activities	-576	-342	-71	-51
Chg. in financial liabilities	-561	-307	-60	-40
Chg. in equity	0	0	0	0
Dividends	0	-11	-11	-11
Other	-15	-24	0	0
Chg. in cash	-110	110	312	485
Beginning balance	506	396	506	818
Ending balance	396	506	818	1,303

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

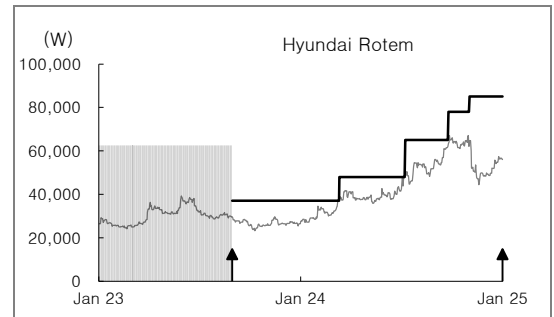
	2023	2024F	2025F	2026F
P/E (x)	18.0	13.6	11.0	9.9
P/CF (x)	9.3	9.7	8.6	7.9
P/B (x)	1.7	2.6	2.4	1.9
EV/EBITDA (x)	9.8	9.6	7.2	5.9
EPS (W)	1,475	3,649	5,173	5,756
CFPS (W)	2,864	5,127	6,565	7,153
BPS (W)	15,391	18,876	23,949	29,605
DPS (W)	100	100	100	100
Dividend payout ratio (%)	7.0	2.8	1.9	1.7
Dividend yield (%)	0.4	0.2	0.2	0.2
Revenue growth (%)	13.4	20.5	32.0	7.0
EBITDA growth (%)	34.5	105.6	43.5	10.6
OP growth (%)	42.4	122.8	47.2	11.5
EPS growth (%)	-18.6	147.3	41.8	11.3
AR turnover (x)	11.8	10.9	11.3	11.5
Inventory turnover (x)	14.2	13.5	14.0	14.5
AP turnover (x)	7.7	6.2	6.1	5.7
ROA (%)	3.1	7.7	10.3	10.1
ROE (%)	10.1	21.3	24.2	21.5
ROIC (%)	10.8	24.9	30.6	31.5
Debt-to-equity ratio (%)	218.2	150.2	127.0	105.4
Current ratio (%)	115.1	121.1	134.8	151.3
Net debt-to-equity ratio (%)	-25.1	-23.2	-31.9	-41.7
Interest coverage ratio (x)	7.3	28.7	62.6	87.5

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
Hyundai Rotem (064350)	11/22/24	Buy	85,000
	10/15/24	Buy	78,000
	07/29/24	Buy	65,000
	04/01/24	Buy	48,000
	09/20/23	Buy	37,000



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	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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