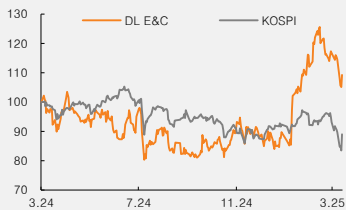


(Maintain)	Buy
Target price	W49,000
Current price (4/10/25)	W39,500
Upside	24.1%

OP (25F, Wbn)	466
Consensus OP (25F, Wbn)	465
EPS growth (25F, %)	55.4
Market EPS growth (25F, %)	25.7
P/E (25F, x)	4.8
Market P/E (25F, x)	8.9
KOSPI	2,445.06

Market cap (Wbn)	1,528
Shares (mn)	39
Free float (%)	74.3
Foreign ownership (%)	33.8
Beta (12M)	0.62
52-week low (W)	29,050
52-week high (W)	45,400

(%)	1M	6M	12M
Absolute	-12.0	34.8	11.9
Relative	-7.5	43.3	23.8



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375500 KS · Construction

DL E&C

1Q25 earnings to mark a bottom

1Q25 preview: In-line OP likely

For 1Q25, we expect DL E&C to post consolidated revenue of W1.85tr (-2% YoY) and operating profit of W79.7bn (+30.8% YoY; in line with the consensus of W80bn). We estimate standalone revenue increased 11% YoY, with housing revenue declining but plant revenue expanding (continuing the trend seen last year). At subsidiary DL Construction, we estimate revenue contracted roughly 31% YoY due to the impact of the sharp drop in housing presales in 2023. The housing cost ratio (standalone) likely exceeded 90% due to the impact of low-margin construction projects. Meanwhile, of the W31.8bn increase in the LH project contract value (for 2025), we assume that around W3bn was reflected in the quarter.

Housing starts meet 54% of annual guidance

In 1Q25, DL E&C's housing starts totaled around 6,439 units, achieving 54% of its full-year guidance. We believe this was a particularly solid result considering the recent domestic political turmoil, and it puts the company on track to comfortably meet or exceed its full-year target (even accounting for the planned front-loading of housing starts in 1H25). From 2Q25, we expect the housing cost ratio to fall back to the 80% range on mix improvements following the completion of low-margin projects. We also expect the LH contract value increase to support improvements in 2H25.

Maintain Buy and TP of W49,000

We maintain our Buy rating and target price of W49,000 on DL E&C. Key investment points for the stock include: 1) the W32bn share buyback planned for 2025; and 2) sound financials and anticipated earnings improvement.

We also see potential momentum from the firm's stake in US small modular reactor (SMR) manufacturer X-energy. Of note, X-energy recently submitted a construction permit application to the US Nuclear Regulatory Commission (NRC) for an SMR project in Texas; while it is too early to say whether DL E&C will participate in the project, the two companies are continuing to explore potential business opportunities, which should help sustain expectations related to the SMR business.

(Dec.)	2023	2024	2025F	2026F	2027F
Revenue (Wbn)	7,991	8,318	7,886	8,164	8,307
OP (Wbn)	331	271	466	519	572
OP margin (%)	4.1	3.3	5.9	6.4	6.9
NP (Wbn)	188	229	357	403	453
EPS (W)	4,377	5,348	8,310	9,396	10,544
ROE (%)	4.1	4.8	7.2	7.7	8.1
P/E (x)	8.2	6.0	4.8	4.2	3.7
P/B (x)	0.3	0.3	0.3	0.3	0.3
Dividend yield (%)	1.4	1.7	2.8	3.3	3.8

Notes: Under consolidated K-IFRS; NP is attributable to owners of the parent

Source: Company data, Mirae Asset Securities Research estimates

Table 1. DL E&C: Quarterly earnings

(Wbn)

	1Q24	2Q24	3Q24	4Q24	1Q25F	YoY	QoQ	Consensus	Diff.
Revenue	1,891	2,070	1,919	2,439	1,853	-2.0%	-24.0%	1,829	1.4%
OP	61	33	83	94	80	30.9%	-15.3%	80	-0.4%
Pretax profit	44	56	57	197	90	103.2%	-54.4%	88	2.1%
NP attributable to owners of the parent	26	41	45	117	65	148.4%	-45.0%	66	-2.5%
OP margin	3.2%	1.6%	4.3%	3.9%	4.3%			4.4%	
Pretax margin	2.3%	2.7%	3.0%	8.1%	4.8%			4.8%	
Net margin	1.4%	2.0%	2.4%	4.8%	3.5%			3.6%	

Source: Company data, FnGuide, Mirae Asset Securities Research

Table 2. DL E&C: Quarterly and annual earnings

(Wbn)

	1Q24	2Q24	3Q24	4Q24	2024	1Q25F	2Q25F	3Q25F	4Q25F	2025F	2026F
Revenue (total)	1,891	2,070	1,919	2,439	8,318	1,853	1,983	1,931	2,119	7,886	8,164
1) DL E&C (parent + overseas)	1,296	1,400	1,351	1,816	5,862	1,442	1,541	1,509	1,667	6,159	6,268
- Housing	673	715	638	905	2,932	619	642	601	667	2,528	2,641
- Civil	199	223	227	270	918	199	222	226	269	916	984
- Plants	423	461	485	642	2,010	623	675	681	730	2,708	2,636
- Other	1	1	1	-1	3	2	2	2	2	6	8
2) DL Construction	597	672	570	630	2,469	414	448	429	462	1,754	1,927
3) Consolidation adj.	-3	-1	-1	-7	-13	-3	-6	-8	-10	-27	-31
COGS ratio	90.4%	91.9%	89.1%	88.2%	89.8%	89.4%	87.4%	85.9%	87.3%	87.5%	87.1%
- Housing	93.0%	93.0%	92.3%	85.9%	90.7%	91.1%	86.2%	85.4%	85.2%	86.9%	85.9%
- Civil	89.9%	91.2%	89.6%	96.6%	92.1%	90.2%	89.5%	89.5%	93.6%	90.9%	90.7%
- Plants	83.1%	85.4%	81.2%	84.7%	83.7%	86.1%	85.6%	82.4%	84.9%	84.7%	84.6%
- DL Construction	93.1%	95.6%	92.2%	91.8%	93.3%	91.1%	89.8%	88.8%	88.8%	89.6%	89.1%
OP	61	33	83	94	271	80	116	146	124	466	519
DL E&C (parent + overseas)	49	40	73	95	257	65	89	125	102	380	413
DL Construction	12	-7	10	-1	14	15	27	21	23	86	106
OP margin	3.2%	1.6%	4.3%	3.9%	3.3%	4.3%	5.9%	7.6%	5.9%	5.9%	6.4%
DL E&C (parent + overseas)	3.8%	2.9%	5.4%	5.2%	4.4%	4.5%	5.8%	8.3%	6.1%	6.2%	6.6%
DL Construction	2.0%	-1.1%	1.8%	-0.1%	0.6%	3.7%	6.0%	4.9%	4.9%	4.9%	5.5%

Source: Company data, Mirae Asset Securities Research estimates

DL E&C (375500 KS)

Income statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Revenue	8,318	7,886	8,164	8,307
Cost of revenue	7,473	6,897	7,108	7,195
GP	845	989	1,056	1,112
SG&A expenses	575	523	537	540
OP (adj.)	271	466	519	572
OP	271	466	519	572
Non-operating profit	83	29	41	57
Net financial income	52	24	30	40
Net income from associates	-8	6	9	9
Pretax profit	354	495	560	629
Income tax	125	139	157	176
Profit from continuing operations	229	357	403	453
Profit from discontinued operations	0	0	0	0
NP	229	357	403	453
Attributable to owners	229	357	403	453
Attributable to minority interests	0	0	0	0
Total comprehensive income	118	357	403	453
Attributable to owners	118	357	403	453
Attributable to minority interests	0	0	0	0
EBITDA	356	555	608	663
FCF	178	286	322	358
EBITDA margin (%)	4.3	7.0	7.4	8.0
OP margin (%)	3.3	5.9	6.4	6.9
Net margin (%)	2.8	4.5	4.9	5.5

Balance sheet (summarized)

(Wbn)	2024	2025F	2026F	2027F
Current assets	6,006	6,081	6,244	6,453
Cash & equivalents	1,864	1,936	2,021	2,136
AR & other receivables	1,522	1,487	1,523	1,555
Inventory	921	909	919	940
Other current assets	1,699	1,749	1,781	1,822
Non-current assets	3,707	3,787	3,840	3,905
Investments in associates	559	561	564	571
PP&E	36	45	67	95
Intangible assets	29	28	28	28
Total assets	9,712	9,868	10,085	10,357
Current liabilities	3,855	3,759	3,743	3,726
AP & other payables	1,640	1,573	1,598	1,628
Short-term financial liabilities	293	280	265	242
Other current liabilities	1,922	1,906	1,880	1,856
Non-current liabilities	1,012	992	927	880
Long-term financial liabilities	890	872	808	762
Other non-current liabilities	122	120	119	118
Total liabilities	4,867	4,751	4,670	4,606
Equity attributable to owners	4,846	5,117	5,414	5,751
Capital stock	229	229	229	229
Capital surplus	3,831	3,831	3,831	3,831
Retained earnings	1,076	1,410	1,768	2,168
Minority interests	0	0	0	0
Shareholders' equity	4,846	5,117	5,414	5,751

Cash flow statement (summarized)

(Wbn)	2024	2025F	2026F	2027F
Operating cash flow	188	373	424	466
NP	229	357	403	453
Non-cash income/expenses	411	197	207	218
Depreciation	76	78	79	81
Amortization	9	10	10	10
Other	326	109	118	127
Chg. in working capital	-375	-66	-60	-68
Chg. in AR & other receivables	-408	27	-27	-23
Chg. in inventory	18	12	-10	-20
Chg. in AP & other payables	267	-21	12	19
Income tax	-62	-139	-157	-176
Cash flow from investing activities	-167	-174	-154	-163
Chg. in PP&E	-4	-87	-102	-108
Chg. in intangible assets	-2	-9	-10	-10
Chg. in financial assets	-9	-30	-30	-34
Other	-152	-48	-12	-11
Cash flow from financing activities	-192	-114	-185	-185
Chg. in financial liabilities	-107	-31	-79	-69
Chg. in equity	-2	0	0	0
Dividends	-22	-23	-45	-52
Other	-61	-60	-61	-64
Chg. in cash	-140	71	86	115
Beginning balance	2,004	1,864	1,936	2,021
Ending balance	1,864	1,936	2,021	2,136

Source: Company data, Mirae Asset Securities Research estimates

Key valuation metrics/ratios

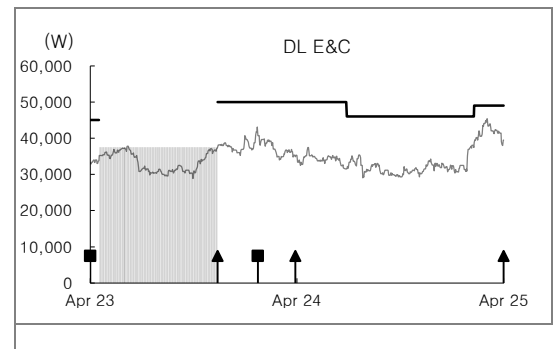
	2024	2025F	2026F	2027F
P/E (x)	6.0	4.8	4.2	3.7
P/CF (x)	2.2	3.1	2.8	2.5
P/B (x)	0.3	0.3	0.3	0.3
EV/EBITDA (x)	1.0	0.9	0.5	0.2
EPS (W)	5,348	8,310	9,396	10,544
CFPS (W)	14,928	12,893	14,228	15,620
BPS (W)	113,286	121,012	129,350	138,684
DPS (W)	540	1,100	1,300	1,500
Dividend payout ratio (%)	9.0	11.4	11.5	11.4
Dividend yield (%)	1.7	2.7	3.1	3.6
Revenue growth (%)	4.1	-5.2	3.5	1.7
EBITDA growth (%)	-15.0	56.0	9.6	9.0
OP growth (%)	-18.1	72.1	11.2	10.3
EPS growth (%)	22.2	55.4	13.1	12.2
AR turnover (x)	8.8	7.7	7.9	7.9
Inventory turnover (x)	8.9	8.6	8.9	8.9
AP turnover (x)	7.1	6.6	6.8	6.8
ROA (%)	2.4	3.6	4.0	4.4
ROE (%)	4.8	7.2	7.7	8.1
ROIC (%)	8.9	15.7	18.6	19.8
Debt-to-equity ratio (%)	100.4	92.8	86.3	80.1
Current ratio (%)	155.8	161.8	166.8	173.2
Net debt-to-equity ratio (%)	-20.2	-21.6	-23.8	-26.0
Interest coverage ratio (x)	5.0	7.2	8.3	10.2

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company	Date	Rating	TP (₩)
DL E&C (375500)	02/18/25	Buy	49,000
	07/08/24	Buy	46,000
	04/08/24	Buy	50,000
	02/02/24	Trading Buy	50,000
	11/23/23	Buy	50,000
	04/28/23	No Coverage	
	11/23/22	Trading Buy	45,000



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	83.98%	6.63%	8.84%	0.55%
Investment banking services	88.24%	0%	11.76%	0%

* Based on recommendations in the last 12-months (as of March 31, 2025)

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