

Construction Materials

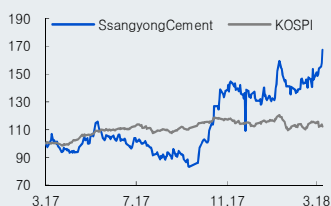
Initiation Report
March 29, 2018

(Initiate)	Buy
Target Price (12M, W)	32,000
Share Price (03/28/18, W)	23,850
Expected Return	34%

OP (18F, Wbn)	263
Consensus OP (18F, Wbn)	264
EPS Growth (18F, %)	-48.5
Market EPS Growth (18F, %)	6.6
P/E (18F, x)	14.6
Market P/E (18F, x)	9.2
KOSPI	2,419.29

Market Cap (Wbn)	2,403
Shares Outstanding (mn)	101
Free Float (%)	21.5
Foreign Ownership (%)	4.0
Beta (12M)	1.32
52-Week Low	11,850
52-Week High	23,850

(%)	1M	6M	12M
Absolute	14.1	100.4	56.4
Relative	14.5	96.6	39.8



Mirae Asset Daewoo Co., Ltd.

[Construction/Construction Materials]

Kwangsoo Lee
+822-3774-1457
kwangsoo.lee@miraeeasset.com

Ssangyong Cement

(003410 KS)

Ready to ascend again

An opportunity to invest in market changes

Changes are afoot in the domestic cement industry. Following a recent spate of M&A activity, we believe the next wave of change will come in the form of price increases, followed by capacity cuts and business diversification. In the long run, we think a 12% increase in cement selling prices is possible, driven by rising costs and a shift in the balance of power to suppliers. Subsequently, we expect overall domestic production capacity to be reduced by more than 11%. As a result of such price hikes and capacity cuts, we believe investors will begin to view the cement sector in a new light. By buying a cement company today, we think investors will have the option of investing in upcoming cement industry changes.

A stable play

In addition to the aforementioned industry changes, we believe Ssangyong Cement itself offers compelling value, mainly through its high dividends. The company pays out quarterly dividends, with full-year dividends expected to total W1,400 per share (considering current quarterly payments). This implies a dividend yield of 5.9% based on current share prices. In our view, the company's above-market dividend yield makes it attractive as a stable investment.

Aside from yields, we think the stability of the company's dividends is also worth noting. Despite the outlook for weaker domestic shipments, we believe Ssangyong Cement will maintain higher profit margins than rivals thanks to its Daehan Cement acquisition and cost-saving capital investments, laying the foundation for steady dividend payments.

Deserves even more attention during times of uncertainty

We initiate our coverage on Ssangyong Cement with a Buy rating and target price of W32,000. We derived our target price by applying a target P/B of 1.4x to our 2018F BPS, which assumes an 18% rise in profit due to higher cement prices. The stock's recent strong performance has made valuation more burdensome. But given the company's high dividend yield, steady profits, and industry shifts, we see room for upside ahead.

Growth is an important consideration for investors when choosing stocks. However, in a low-growth era, we think "change" can also provide a significant investment opportunity as a powerful driver of corporate value. The domestic cement industry is not a growth industry, but clearly has the potential to change. In an uncertain stock market, it may be worthwhile to look for change rather than growth.

FY (Dec.)	12/14	12/15	12/16	12/17F	12/18F	12/19F
Revenue (Wbn)	2,021	1,986	2,060	1,517	1,623	1,580
OP (Wbn)	162	214	262	255	263	267
OP Margin (%)	8.0	10.8	12.7	16.8	16.2	16.9
NP (Wbn)	105	77	173	313	165	177
EPS (W)	1,302	951	2,005	3,179	1,637	1,750
ROE (%)	8.9	6.1	11.6	17.2	8.4	8.9
P/E (x)	9.2	17.1	7.4	5.9	14.6	13.6
P/B (x)	0.8	1.0	0.8	1.0	1.2	1.2
Dividend Yield (%)	0.0	0.0	1.1	5.7	6.0	6.0

Note: All figures are based on consolidated K-IFRS; NP refers to net profit attributable to controlling interests
Source: Company data, Mirae Asset Daewoo Research estimates

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I. Investment points

1. An opportunity to invest in market changes

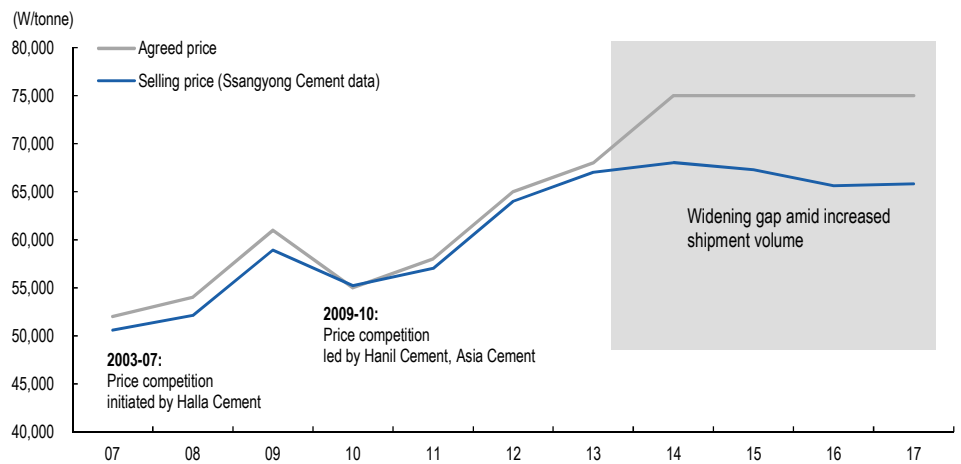
Changes are afoot in the domestic cement industry. We believe the next wave of change will come in the form of price increases, driven by: 1) rising costs; and 2) a decline in cement shipment volume resulting from a fall in apartment construction starts. Past experience suggests that, ironically, positive changes often occur amid the toughest market conditions.

Beyond the short-term outlook for price hikes, we note the likelihood of positive changes in cement price dynamics. Currently, cement sells at a discount of more than 12% to the agreed price. As agreed prices are determined through negotiations between cement suppliers and their customers (i.e., builders), the difference between agreed and selling prices should be marginal under normal market conditions. So, what explains the wide gap?

The current gap is due to a decline in raw material prices and an increase in shipment volume. Competition between market players to maintain or expand market share is another important factor. However, market conditions are changing: 1) Prices of raw materials, such as bituminous coal, have been rising; 2) cement shipment volume is likely to decline amid the fall in apartment presales; and 3) cement industry consolidation should enable players to focus more on profitability than on sales volume. For cement companies, we see price hikes—which translate directly into earnings—as the most important variable.

When the difference between agreed and selling prices is as big as it is now, it raises expectations for price hikes. And price increases, as a potential incentive for investing in cement companies, are likely to play a role in enhancing firms' corporate value. By buying a cement company today, we think investors will have the option of investing in upcoming cement market changes.

Figure 1. Gap between agreed price and selling price



Source: Company data, Mirae Asset Daewoo Research

2. Ssangyong Cement, a stable investment play

Despite uncertainties in the cement market, we expect shares of Ssangyong Cement to yield steady return on investment. The first rationale behind our call is the company's high dividend yield. Ssangyong Cement has paid out quarterly dividends since July 2017, after it amended its articles of incorporation to make such distributions possible. Ssangyong Cement's quarterly dividend per common share stood at W320 in June 2017, W350 in September 2017, and W400 in December 2017. Cumulative dividend stood at W1,070 over the past three quarters, which translates into a dividend yield of 4.5% based on the current share price.

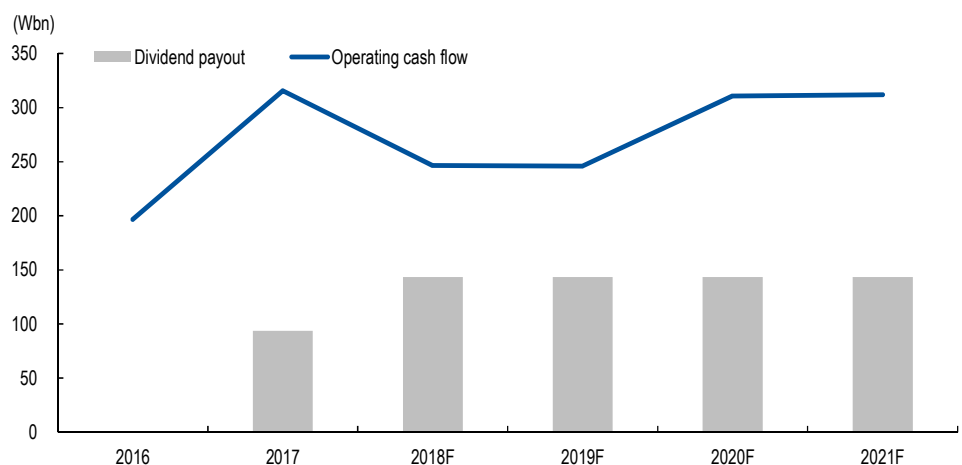
The company has yet to announce its dividend policy for 2018. However, if quarterly dividends remain the same as in 2017, we estimate full-year dividend will exceed W1,400 per share in 2018. This implies a dividend yield of 5.9% based on the current share price. In our view, the company's above-market dividend yield makes it attractive as a stable investment.

The question is whether Ssangyong Cement will be able to maintain strong earnings and cash flow to keep its dividends high. We believe the answer is yes, given the firm's Daehan Cement acquisition, investments, and option contracts on bituminous coal. First, the acquisition of Daehan Cement, a slag cement producer, for W265bn in 3Q17 is likely to generate operating synergy effects and help bolster consolidated earnings.

The firm's cost-saving capital investment is also worth noting. Ssangyong Cement has steadily invested in energy-efficient facilities such as waste heat recovery systems and energy storage systems (ESS). We expect cost-saving effects from these investments to begin in earnest in 2Q18. Meanwhile, option contracts on bituminous coal, a key cost variable, are likely to contribute to earnings stabilization. Through such contracts, Ssangyong Cement can purchase more than 60% of its bituminous coal at a fixed price from 2018 through 2021.

In light of the above factors, we expect Ssangyong Cement to display steady earnings performance and cash generation, despite uncertainties in the cement market. The company also has a low debt-to-equity ratio, which should help it maintain its high dividend. We estimate Ssangyong Cement's annual operating cash flow will average W279bn through 2021. Thus, we believe it can afford to distribute estimated dividends of W140bn.

Figure 2. Operating cash flow and dividend forecasts



Source: Company data, Mirae Asset Daewoo Research

II. Earnings forecasts

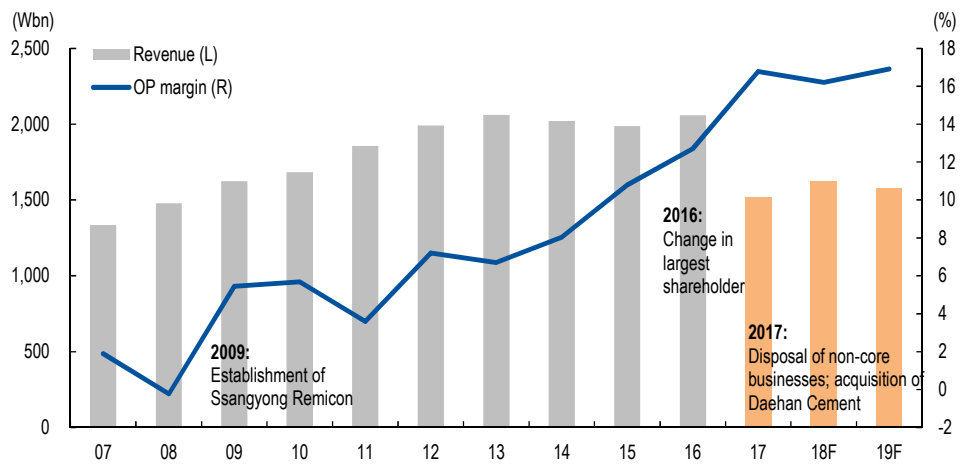
For 2018, we forecast Ssangyong Cement’s consolidated revenue at W1.62tr (+7% YoY), operating profit at W262.9bn (+3%), and net profit attributable to controlling interests at W165.5bn. Despite the outlook for weaker domestic shipments, the firm will likely maintain stable earnings thanks to its Daehan Cement acquisition in 3Q17. For 2018, we estimate Daehan Cement’s revenue and operating profit at W206bn and W25bn, respectively.

The Daehan Cement acquisition should allow Ssangyong Cement to expand its consolidated revenue and achieve vertical integration. With the acquisition, Ssangyong Cement should secure stable captive demand for Portland cement, which Daehan Cement uses as a key material in its slag cement production. At present, Daehan Cement sources 1.3mn tonnes of cement annually from other companies. Going forward, we expect the company to increase its annual cement purchases from Ssangyong Cement to 800,000 tonnes, thus contributing to parent earnings improvement.

Following the Daehan Cement acquisition, Ssangyong Cement now controls 34% of the domestic slag cement market (including existing affiliates Ssangyong Slag & Materials and Hankook Slag & Materials). With the acquisition, the firm has solidified its market leadership and thus enhanced its price competitiveness. Thanks to its Daehan Cement acquisition, the firm has seen the revenue contribution from slag cement rise to 26% (based on 2016 combined sales data).

Slag cement is a hydraulic cement produced by mixing blast furnace slag and regular cement in equal parts. Slag cement is simple to produce and over 10% cheaper to make than ordinary cement. As such, builders have been increasing their usage of slag cement to reduce costs.

Figure 3. Revenue and OP margin

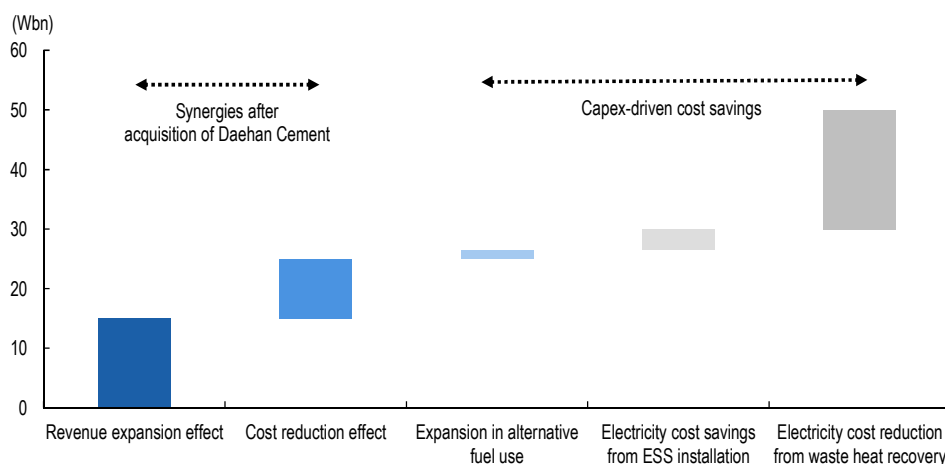


Source: Company data, Mirae Asset Daewoo Research

We also highlight the cost savings that are beginning to take shape for Ssangyong Cement. The company has been ramping up investments in areas such as low-calorific coal and ESS to improve cost competitiveness. For example, cogeneration systems at its East Sea plant are slated for completion in 2H18, and should contribute to significant power cost reductions from 2019. We estimate that power generation from the systems will represent 33% of total power consumption at the plant, and that cogeneration should help drive up the firm's annual EBITDA by over W20bn.

Installation of ESS and new kiln burners should lead to increased input of low-priced, low-calorific coal, thus reducing production costs. Related initiatives are projected to boost the firm's annual EBITDA by over W5bn.

Figure 4. Synergies and cost reductions following Daehan Cement acquisition



Source: Mirae Asset Daewoo Research

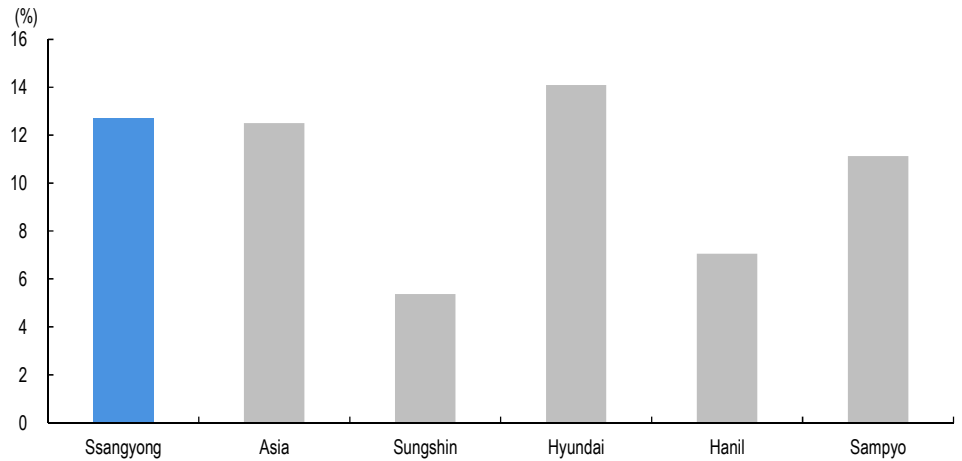
Table 1. Quarterly and annual earnings by business

	(Wbn)											
	1Q17	2Q17	3Q17	4Q17F	1Q18F	2Q18F	3Q18F	4Q18F	2016	2017F	2018F	2019F
Revenue	445	290	366	416	322	440	421	440	2,060	1,517	1,623	1,580
YoY	55.0%	0.9%	27.4%	40.1%	-27.6%	51.7%	15.0%	5.8%	3.7%	-27.0%	7.0%	-2.6%
Cement	203	253	228	240	180	262	242	260	884	946	944	980
Ready-mix concrete	84	108	91	94	74	120	120	100	365	382	414	447
Other	158	(70)	47	82	68	58	59	80	811	175	265	153
Ssangyong Cement	242	280	249	262	176	270	261	282	1,411	1,033	989	998
Daehan Cement	0	0	18	46	44	52	56	54	0	64	206	211
Ssangyong Remicon	89	115	97	99	82	110	98	102	58	400	392	404
Hankook Slag & Materials	12	19	18	16	14	15	17	18	67	65	64	67
Consolidation adj./other	102	(124)	(16)	(7)	6	(7)	(11)	(16)	524	(45)	(28)	(100)
Cost-to-revenue ratio	81.1%	63.7%	75.6%	73.8%	75.0%	70.0%	78.0%	78.0%	79.4%	74.5%	75.2%	74.4%
SG&A	32	31	34	36	33	34	35	37	162	133	139	138
Operating profit	52	74	56	73	48	98	58	60	262	255	263	267
YoY	20.4%	-6.7%	-18.6%	12.8%	-8.7%	32.4%	2.9%	-18.1%	22.2%	-2.8%	3.1%	1.6%
OP margin	11.6%	25.6%	15.2%	17.2%	14.8%	22.3%	13.7%	13.6%	12.7%	16.8%	16.2%	16.9%
Cement	31	55	40	58	32	62	42	50	165	184	186	187
Ready-mix concrete	2	9	7	7	9	10	8	7	12	25	34	188
Other	19	10	8	4	7	26	8	3	85	41	43	189
Ssangyong Cement	32	54	36	53	29	60	40	50	178	175	179	178
Daehan Cement	0	0	3	7	4	5	8	8	0	10	25	27
Ssangyong Remicon	7	13	8	5	6	15	8	4	30	33	33	37
Hankook Slag & Materials	2	3	3	3	14	20	18	17	67	11	69	68
Consolidation adj.	11	4	6	6	(6)	(2)	(16)	(19)	(13)	27	(43)	(43)
Pretax profit	50	52	35	42	29	86	45	50	220	179	209	224
Net profit	55	85	25	149	23	69	36	40	175	314	168	179
(Controlling)	56	85	24	148	23	68	35	40	173	313	165	177

Source: Company data, Mirae Asset Daewoo Research

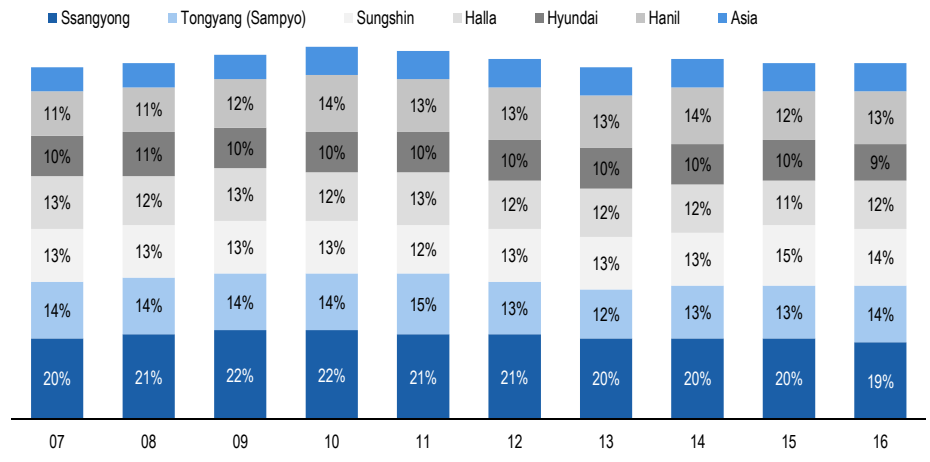
Despite the prospects for weaker domestic shipments, we believe that Ssangyong Cement will maintain steady earnings thanks to its stable profitability. Since the change in its largest shareholder, the firm has completed business restructuring aimed at maximizing synergies. As a result, the revenue contribution from the cement business (e.g., raw material sourcing, cement production, slag, freight) has increased sharply from 67% in 2016 to over 97% in 2017. In addition, thanks to its coastal facilities, the firm is positioned to quickly increase exports even in the event of a domestic market slowdown.

Figure 5. Major cement producers' OP margins (2016)



Source: Mirae Asset Daewoo Research

Figure 6. Current cement industry M/S breakdown



Source: Mirae Asset Daewoo Research

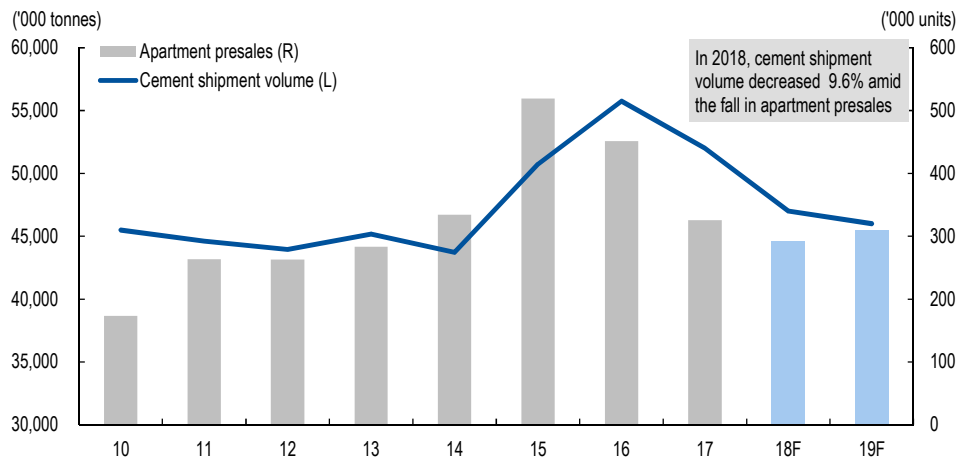
III. Cement market risks

1. Prospects for weaker cement shipments

In Korea, the expected decline in housing presales should lead to a slowdown in the cement market going forward. With total apartment presale volume forecast to decrease 10% YoY to 292,000 units in 2018, we project that the cement market's total shipments will decline 9.6% YoY to 47mn tonnes.

Meanwhile, the government's 2018 social overhead capital (SOC) budget is expected to decline only 2.2% YoY to W40.4tr. Indeed, while the central government's budget has been slashed by 15.1% YoY to W17.1tr, funds allocated by the Ministry of Land, Infrastructure and Transport (MOLIT) have increased 10.1% YoY. We thus see only limited impact on the cement market from SOC budget cuts.

Figure 7. Apartment presales and cement shipment volume



Source: Korea Cement Association, Mirae Asset Daewoo Research

Amid shrinking demand for cement, Ssangyong Cement is likely to suffer from sluggish cement sales growth going forward. However, the rate of any slowdown should be limited thanks to the Daehan Cement acquisition and higher cement prices. For 2019, we forecast the firm's consolidated revenue at W1.58tr, down 3% from our 2018 estimate. For reference, in 2014, when the domestic cement market recorded a 15-year low in shipments, the consolidated revenue of the firm came in at W1.46tr (factoring out divisions that were sold and factoring in Daehan Cement).

2. Potential for price competition amid falling shipments

Falling cement shipments are raising concerns over price competition among suppliers. If cement consumption decreases, suppliers typically scramble to push through price cuts to achieve their volume targets. Currently, however, suppliers are not in a position to engage in heavy competition, in light of higher costs stemming from rising bituminous coal prices and freight costs.

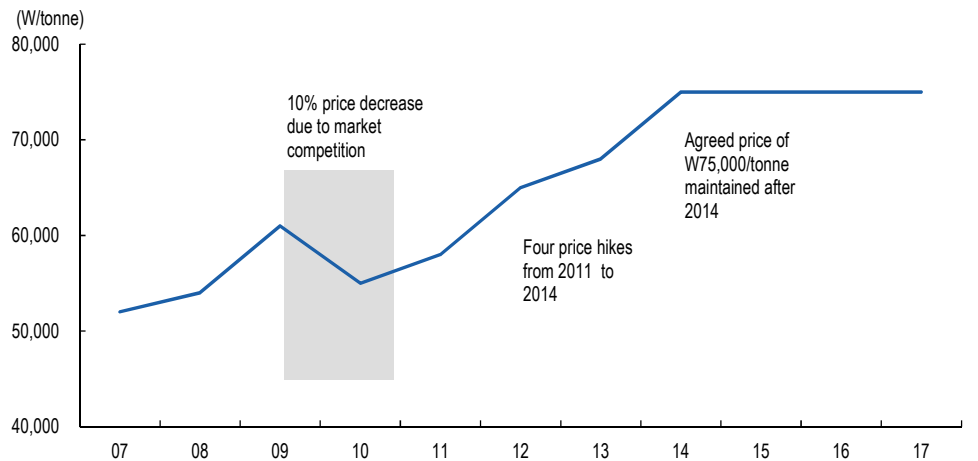
Against this backdrop, the domestic cement industry's M&As are worth noting. In the domestic cement market, M&As have recently been completed, reducing the number of players to three—Ssangyong Cement, Hanil Cement (which acquired Hyundai Cement; 003300 KS/CP: W107,500), and Asia Cement (which acquired Halla Cement; 183190 KS/CP: W93,600). In the past, Ssangyong Cement was the only supplier that could pursue aggressive price hikes, thanks to its high market share (over 20%) and stronger cost competitiveness. Currently, however, all three suppliers have respective market shares in excess of 20%, suggesting that they will likely focus on profitability via price hikes, rather than market share gains via price cuts. This is the reason why we expect stable cement prices or hikes despite falling shipments.

Table 2. Cement industry M&A history (Wbn)

Company	Date	Acquirer	Stake	Acquisition price
Daehan Cement	5/12	Hahn & Company	100%	265
Tongyang Cement	9/15	Sampyo	55%	794.3
Ssangyong Cement	3/16	Hahn & Company	77.44%	1,498.2
Halla Cement	5/16	Glenwood/Baring	100%	630
Hyundai Cement	7/17	Hanil Cement/LK Partners	84.56%	622.1
Halla Cement	1/18	Asia Cement	100%	776

Source: Industry data, Mirae Asset Daewoo Research

Figure 8. Domestic cement price trend

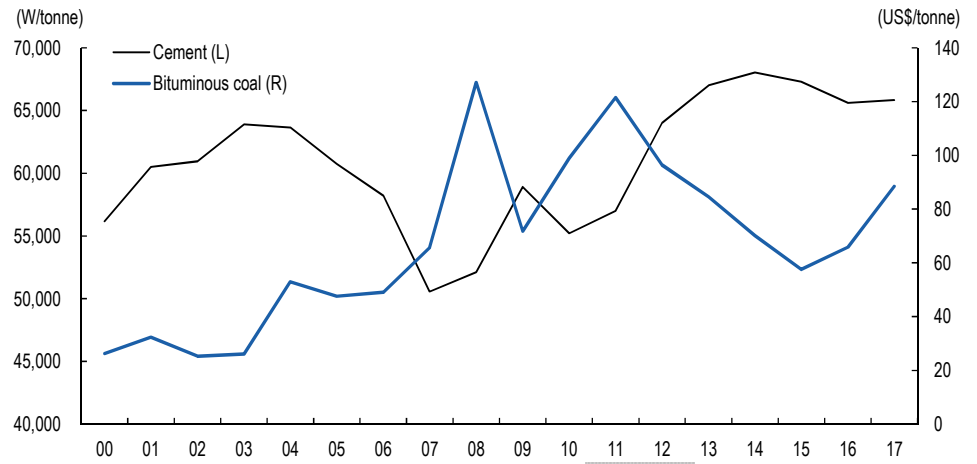


Source: Mirae Asset Daewoo Research

3. Higher cost ratio stemming from rising raw material costs

With bituminous coal prices surging, cement suppliers have come under cost pressure. For Ssangyong Cement, manufacturing costs are composed of fuel (29%), electricity (21%), raw materials (15%), freight (9%), and labor (8%). As bituminous coal accounts for the highest portion of the costs, higher bituminous coal prices drive up the COGS-to-revenue ratio, leading to thinner earnings.

Figure 9. Bituminous coal and cement price trends



Source: Company data, Korea Mineral Resource Information Service, Mirae Asset Daewoo Research

Electricity and freight costs could also climb. In particular, the freight cost burden could increase markedly due to the minimum wage hike and rising oil prices. Ssangyong Cement uses both shipping and ground transport for raw material procurement and product sales, as it operates plants in both coastal and inland areas. As such, the company is better positioned to cope with freight cost increases than its competitors. Of note, shipping rates are lower than ground transport rates, which means that suppliers based in coastal areas enjoy a cost advantage.

IV. Valuation

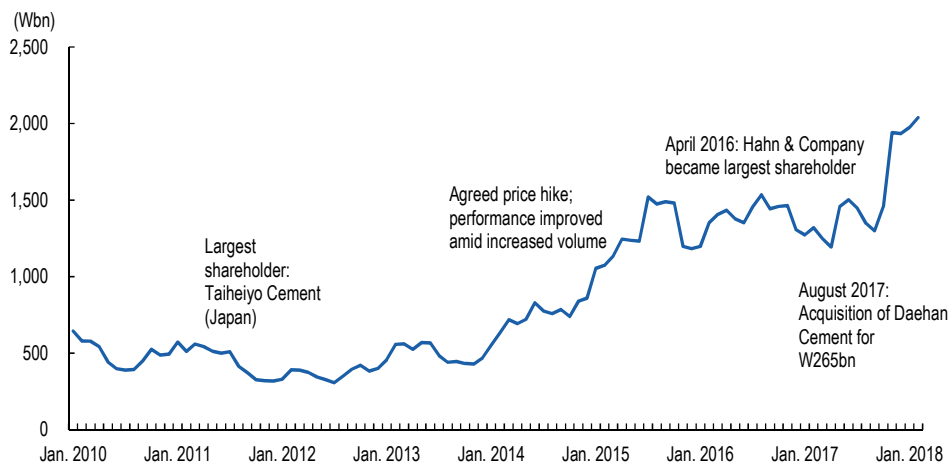
We initiate our coverage on Ssangyong Cement with a Buy rating and target price of W32,000. We derived our target price by applying a target P/B of 1.4x to a BPS of W23,059, which assumes an 18% rise in profit due to higher cement prices (vs. our 2018F BPS of W19,542). We modeled a sustainable ROE of 9%. Our target P/B is equivalent to the average P/B of Japanese cement suppliers, which have delivered stable earnings via price hikes despite a protracted market slump. Our target price implies upside of 34% from the current share price of W23,850.

Table 3. Target price calculation

	2013	2014	2015	2016	2017F	2018F
Net assets	1,196	1,283	1,348	1,814	2,014	2,040
BPS	14,041	15,168	15,984	18,137	19,309	19,542
Market cap	495	743	1,280	1,400	1,451	
BPS	23,059	2018F BPS; reflecting 18% profit increase driven by cement price hikes				
Target P/B	1.4	Average P/B of Japanese cement players				
Target price	32,283					
Current price	23,850					
Share performance	34%					

Source: Mirae Asset Daewoo Research

Figure 10. Ssangyong Cement market cap trend



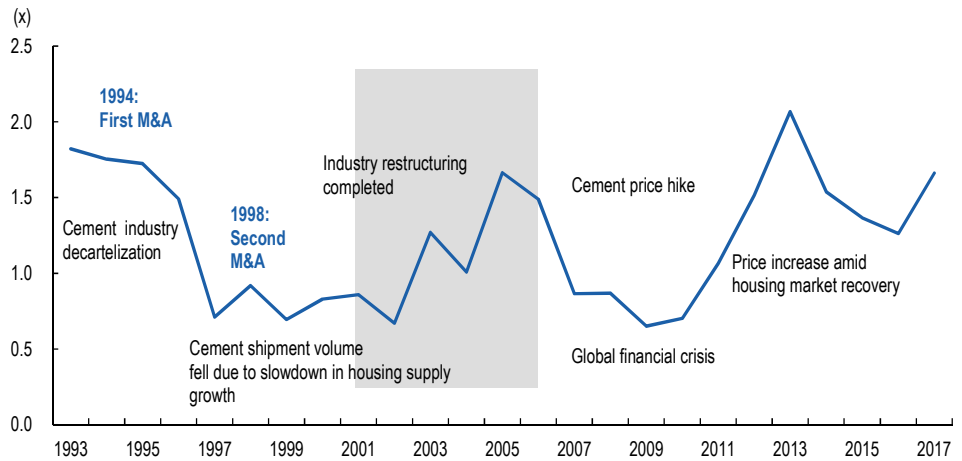
Source: Company data, Mirae Asset Daewoo Research

The stock's recent strong performance has made its valuation more burdensome. Over the past six months, the stock has advanced by around 100% despite unstable stock market conditions, fueled by a high dividend yield and expectations for steady profits. As such, there are concerns over the sustainability of the current stellar share performance. However, given Ssangyong Cement's high dividends and industry shifts, we see further room to run.

Past shifts in the Japanese cement industry may provide clues as to the direction of the domestic market. Japanese suppliers pushed through price hikes through two industry restructurings. Of note, changes in the Japanese cement industry were triggered by the onset of shipment contraction in 1994, with Osaka Cement and Sumitomo Cement merging to create Sumitomo Osaka Cement (5232 JP/CP: JPY458). In the same year, Onoda Cement and Chichibu Cement were combined to become Chichibu Onoda Cement. In 1998, Chichibu Onoda Cement merged with Nihon Cement to become Taiheiyo Cement (5233 JP/CP: JPY3,750), the largest cement supplier in Japan, and Ube Industries and Mitsubishi Materials combined their cement marketing and logistics divisions, creating Ube Mitsubishi.

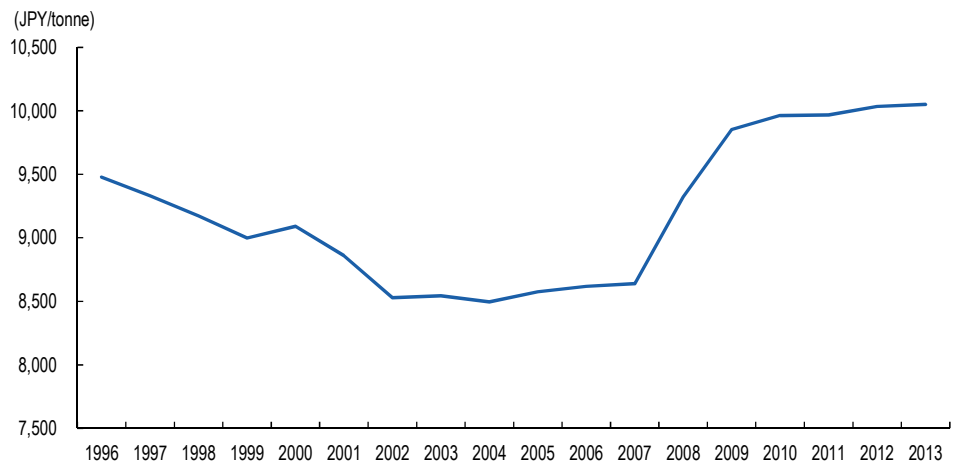
The subsequent capacity reductions and investments for business diversification led to the rationalization of Japanese cement production. Most importantly, M&As provided room for price hikes, despite decreased cement demand, by changing the competitive landscape. If the Korean cement industry experiences an industry shift similar to the one seen in Japan, we expect not only price hikes but also higher corporate value. Industry restructuring is the greatest rationale behind our Buy rating for Ssangyong Cement despite its expensive valuation.

Figure 11. P/B of Taiheiyo Cement (5233 JP/CP: JPY3,750)



Source: Company data, Mirae Asset Daewoo Research

Figure 12. Japanese cement price trend

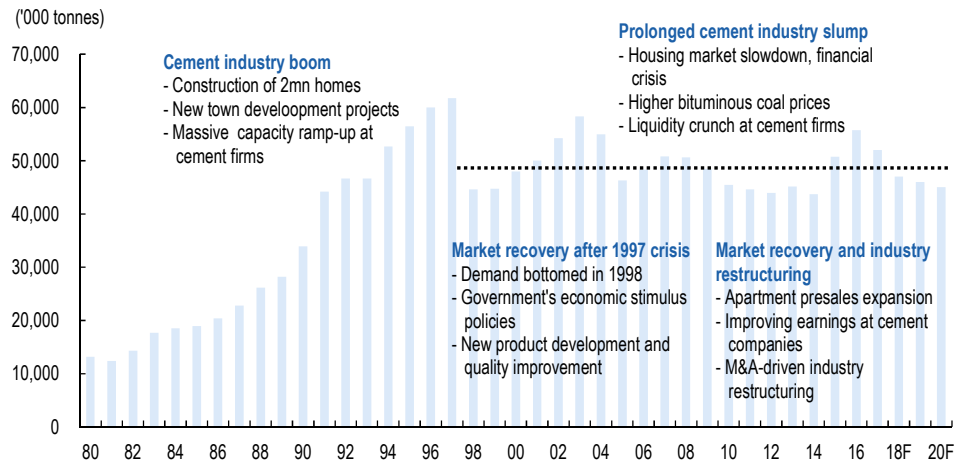


Source: Japan Cement Association, Mirae Asset Daewoo Research

V. Wave of change in the cement market

The cement industry is expected to display only modest growth going forward in line with slowing economic growth. The anticipated decline in apartment presale volume starting in 2018 should further weigh on the industry. However, past experience suggests that, ironically, positive changes often occur amid the toughest market conditions. In our view, a recent spate of M&A activity could provide a footing for such changes.

Figure 13. Domestic cement shipments



Source: Korea Cement Association, Mirae Asset Daewoo Research

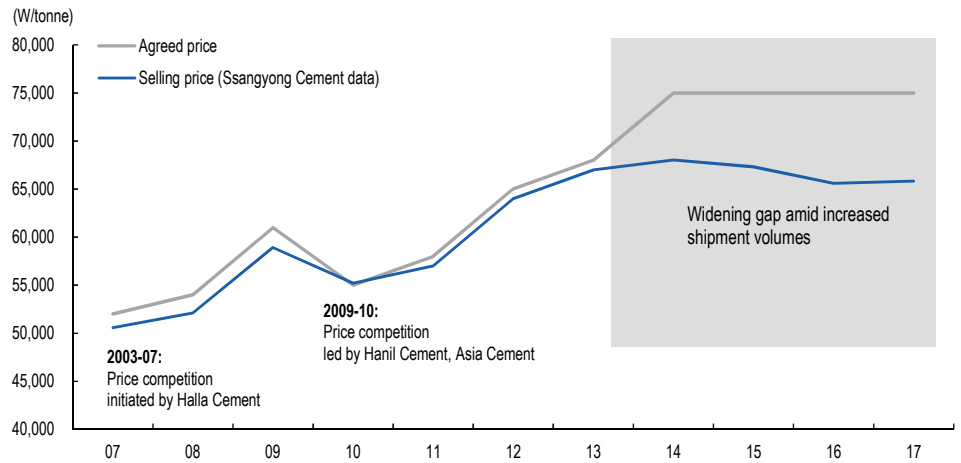
The first major shift is expected to come in the form of price increases. While demand is anticipated to shrink steadily, price hikes could provide support to cement producers' earnings. In Korea, the agreed prices of cement are determined through negotiations between cement producers, ready-mix concrete suppliers, and builders. Over the past 10 years, domestic cement prices have been on a steady rise (except in 2010), reaching W75,000/tonne in 2017. However, actual selling prices have remained far below agreed prices. Indeed, Ssangyong Cement's selling price is 12.2% lower than the agreed price.

Recently, however, we see some meaningful trends signaling a potential rise in cement prices. The recent uptrend in raw material prices, bituminous coal in particular, could provide upward pressure to cement prices. In addition, cement producers are gaining greater bargaining power as they refrain from excessive price cuts. (From 2003 to 2007, Halla Cement aggressively cut cement prices in an effort to expand market share, leading to cutthroat price wars between producers, and in 2010, Hanil Cement and Asia Cement drove down prices.) Indeed, it appears that, cement producers have finally learned that market expansion through price competition leads only to earnings deterioration.

Furthermore, private equity funds and financial investors that have entered the market via M&As are also refraining from excessive competition. And the entries of these players are contributing to the vertical integration of the cement and ready-mix concrete production chain, which could also impart higher bargaining power to cement producers.

We expect cement selling prices to rise 12% from the current levels to W73,500/tonne on the back of higher production costs and producers' stronger bargaining power. An increase in cement prices should boost cement producers' earnings.

Figure 14. Cement price



Source: Company data, Mirae Asset Daewoo Research

We also expect positive changes from the production side. Cement producers are expected to steadily scale back production capacity. Environmental as well as supply glut concerns are expected to accelerate producers' move toward removing outdated facilities. Such a move will likely be led by producers located inland as their capacity utilization is expected to decline more rapidly than the ones located on the coastal areas.

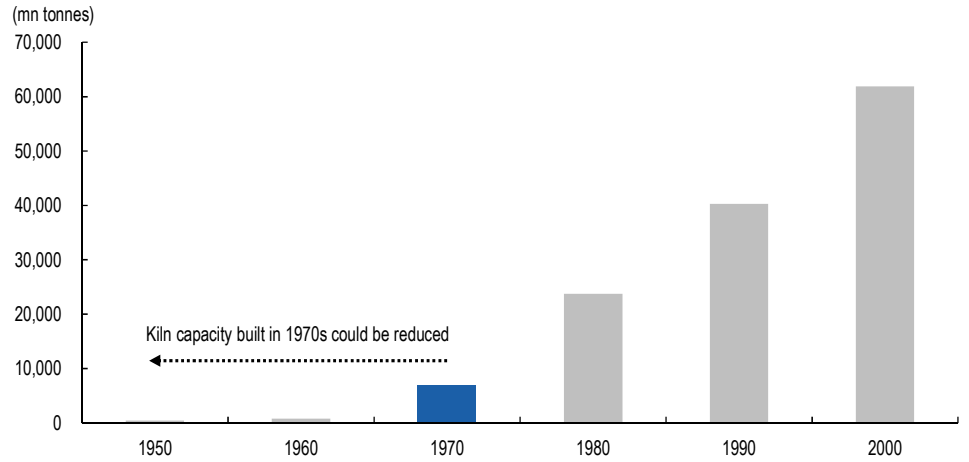
For example, kilns are essential to cement production. Asia Cement has four kilns, while Ssangyong Cement has 14. Since 1998, domestic cement producers have not added a single kiln to their existing facilities. If companies decommission kilns installed before 1970, their combined capacity would decline by 11%.

Table 4. Major cement production facilities

Company	Type	Primary factory	Slag cement	No. of kilns	Capacity ('000 tonnes)
Ssangyong Cement	Coastal	Donghae, Yeongwol, Mungyeong	Gwangyang	14 units	17,669
Sampyo Cement	Coastal	Samcheok	Busan, Gwangyang	7 units	10,922
Halla Cement	Coastal	Gangneung	Gwangyang, Pohang	5 units	8,184
Sungshin	Inland	Danyang	-	5 units	12,711
Asia Cement	Inland	Jecheon	-	4 units	4,410
Hanil Cement	Inland	Danyang	Pyeongtaek, Pohang	6 units	8,331
Hyundai Cement	Inland	Danyang, Yeongwol	Dangjin	6 units	3,732

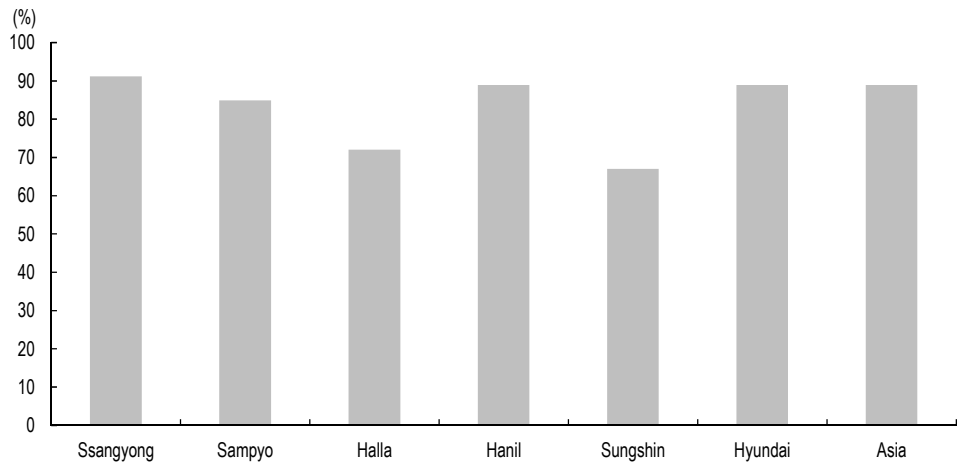
Source: Mirae Asset Daewoo Research

Figure 15. Kiln capacity



Source: Korea Cement Association, Mirae Asset Daewoo Research

Figure 16. Utilization by company

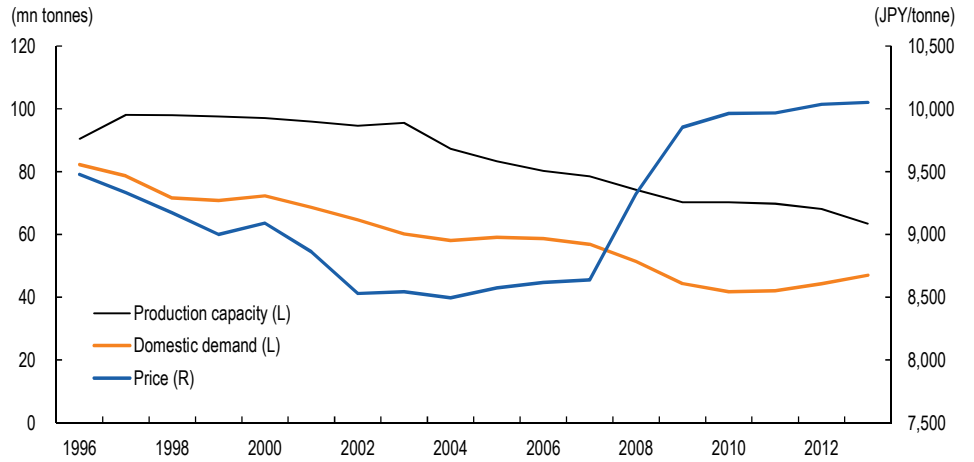


Source: Company data, Mirae Asset Daewoo Research

We believe capacity cuts should pave the way for domestic cement prices to rise to global levels. Notably, in Japan, prices increased, despite sharp contraction in demand, after cement producers began adjusting down production capacity in 2004 (following the completion of industry restructuring in 1998).

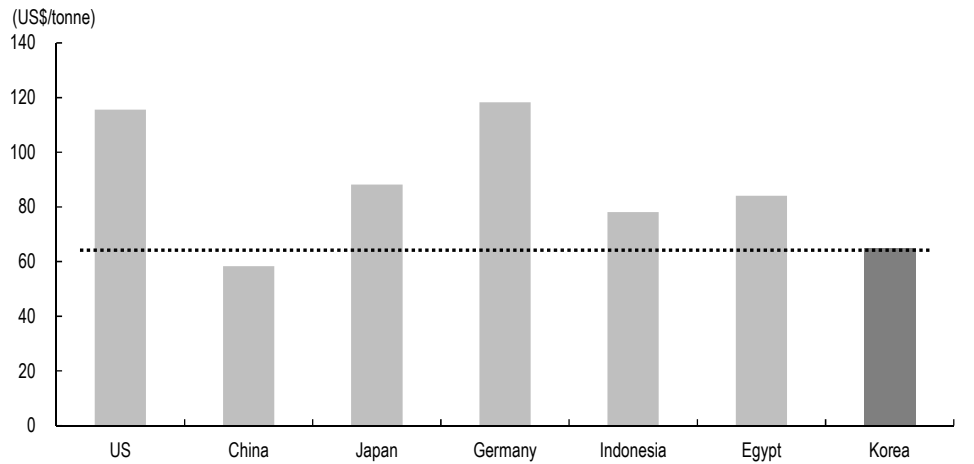
Korea's cement prices are 40%, 30%, and 50% lower than prices in the US, Japan, and Germany, respectively. The only country that has lower cement prices than Korea is China. However, we believe that domestic prices could rise on the back of cement producers' increasing bargaining power and steady capacity reductions.

Figure 17. Japanese cement production capacity, price, and domestic demand trends



Source: Mirae Asset Daewoo Research

Figure 18. Cement prices in select countries (based on 2015 data)



Source: Korea Cement Association, Mirae Asset Daewoo Research

Ssangyong Cement (003410 KS/Buy/TP: W32,000)

Comprehensive Income Statement (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Revenue	2,060	1,517	1,623	1,580
Cost of Sales	1,636	1,130	1,221	1,175
Gross Profit	424	387	402	405
SG&A Expenses	162	133	139	138
Operating Profit (Adj)	262	255	263	267
Operating Profit	262	255	263	267
Non-Operating Profit	-42	-76	-54	-43
Net Financial Income	-26	-21	-19	-13
Net Gain from Inv in Associates	1	5	0	0
Pretax Profit	220	179	209	224
Income Tax	52	-64	42	45
Profit from Continuing Operations	168	244	168	179
Profit from Discontinued Operations	7	70	0	0
Net Profit	175	314	168	179
Controlling Interests	173	313	165	177
Non-Controlling Interests	2	1	2	2
Total Comprehensive Profit	177	336	168	179
Controlling Interests	174	336	167	178
Non-Controlling Interests	2	0	1	1
EBITDA	361	283	362	359
FCF (Free Cash Flow)	121	218	247	246
EBITDA Margin (%)	17.5	18.7	22.3	22.7
Operating Profit Margin (%)	12.7	16.8	16.2	16.9
Net Profit Margin (%)	8.4	20.6	10.2	11.2

Cash Flows (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Cash Flows from Op Activities	197	316	247	246
Net Profit	175	314	168	179
Non-Cash Income and Expense	211	15	137	127
Depreciation	96	29	99	92
Amortization	4	0	0	0
Others	111	-14	38	35
Chg in Working Capital	-178	-92	-39	-38
Chg in AR & Other Receivables	-73	-7	-25	-20
Chg in Inventories	5	-1	2	-9
Chg in AP & Other Payables	-49	-1	4	-1
Income Tax Paid	-13	66	-42	-45
Cash Flows from Inv Activities	-74	-173	-2	-2
Chg in PP&E	-74	-49	2	4
Chg in Intangible Assets	0	1	0	0
Chg in Financial Assets	-57	7	-4	-6
Others	57	-132	0	0
Cash Flows from Fin Activities	51	-62	-421	-317
Chg in Financial Liabilities	-226	111	-260	-160
Chg in Equity	226	14	0	0
Dividends Paid	-1	-94	-142	-144
Others	52	-93	-19	-13
Increase (Decrease) in Cash	173	81	-177	-73
Beginning Balance	33	207	288	111
Ending Balance	207	288	111	37

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/16	12/17F	12/18F	12/19F
Current Assets	896	836	683	640
Cash and Cash Equivalents	207	288	111	37
AR & Other Receivables	368	374	400	420
Inventories	87	121	119	128
Other Current Assets	234	53	53	55
Non-Current Assets	2,320	2,650	2,552	2,462
Investments in Associates	14	11	12	13
Property, Plant and Equipment	2,108	2,179	2,078	1,983
Intangible Assets	82	358	358	358
Total Assets	3,216	3,485	3,235	3,102
Current Liabilities	1,068	846	705	621
AP & Other Payables	271	204	211	212
Short-Term Financial Liabilities	626	531	421	361
Other Current Liabilities	171	111	73	48
Non-Current Liabilities	334	625	490	406
Long-Term Financial Liabilities	95	301	151	51
Other Non-Current Liabilities	239	324	339	355
Total Liabilities	1,402	1,471	1,195	1,027
Controlling Interests	1,689	1,952	1,976	2,008
Capital Stock	466	505	505	505
Capital Surplus	770	744	744	744
Retained Earnings	498	725	748	782
Non-Controlling Interests	125	62	64	67
Stockholders' Equity	1,814	2,014	2,040	2,075

Forecasts/Valuations (Summarized)

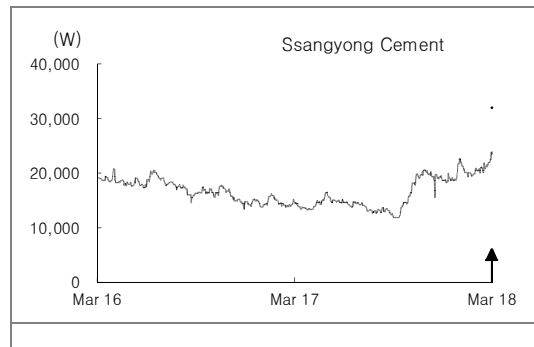
	12/16	12/17F	12/18F	12/19F
P/E (x)	7.4	5.9	14.6	13.6
P/CF (x)	3.3	5.6	7.9	7.9
P/B (x)	0.8	1.0	1.2	1.2
EV/EBITDA (x)	5.3	8.7	8.1	7.9
EPS (W)	2,005	3,179	1,637	1,750
CFPS (W)	4,483	3,337	3,009	3,029
BPS (W)	18,137	19,309	19,542	19,872
DPS (W)	160	1,070	1,420	1,420
Payout ratio (%)	8.0	33.5	85.4	79.9
Dividend Yield (%)	1.1	5.7	6.0	6.0
Revenue Growth (%)	3.7	-26.4	7.0	-2.6
EBITDA Growth (%)	16.5	-21.6	27.9	-0.8
Operating Profit Growth (%)	22.4	-2.7	3.1	1.5
EPS Growth (%)	110.8	58.6	-48.5	6.9
Accounts Receivable Turnover (x)	5.9	4.2	4.3	3.9
Inventory Turnover (x)	20.7	14.6	13.5	12.8
Accounts Payable Turnover (x)	10.6	7.7	8.3	7.9
ROA (%)	5.7	9.4	5.0	5.7
ROE (%)	11.6	17.2	8.4	8.9
ROIC (%)	8.2	13.2	7.8	8.0
Liability to Equity Ratio (%)	77.3	73.0	58.6	49.5
Current Ratio (%)	83.9	98.8	96.8	103.1
Net Debt to Equity Ratio (%)	27.1	25.9	21.5	16.9
Interest Coverage Ratio (x)	9.8	11.3	13.6	19.7

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Ssangyong Cement(003410)	03/29/2018	Buy	32,000



Stock Ratings

- Buy : Relative performance of 20% or greater
- Trading Buy : Relative performance of 10% or greater, but with volatility
- Hold : Relative performance of -10% and 10%
- Sell : Relative performance of -10%

Industry Ratings

- Overweight : Fundamentals are favorable or improving
- Neutral : Fundamentals are steady without any material changes
- Underweight : Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

- * Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.
- * Although it is not part of the official ratings at Mirae Asset Daewoo Co., Ltd., we may call a trading opportunity in case there is a technical or short-term material development.
- * The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.
- * The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution & Investment Banking Services

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	75.50%	16.00%	8.50%	0.00%
Investment Banking Services	62.50%	33.33%	4.17%	0.00%

* Based on recommendations in the last 12-months (as of December 31, 2017)

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Mirae Asset Daewoo International Network

Mirae Asset Daewoo Co., Ltd. (Seoul)

Global 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

PT. Mirae Asset Sekuritas Indonesia

Equity Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-53 Jakarta Selatan
12190
Indonesia

Tel: 62-21-515-3281

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

Mirae Asset Securities (HK) Ltd.

Suites 1109-1114, 11th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
China
Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

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 (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building Vila
Olimpia
Sao Paulo - SP
04551-060
Brasil
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)
