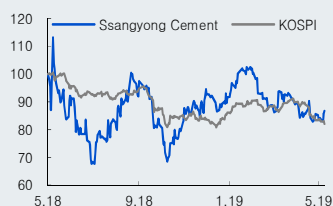


(Maintain)	Buy
Target Price (12M, W)	8,300
Share Price (05/29/19, W)	5,920
Expected Return	40%

OP (19F, Wbn)	268
Consensus OP (19F, Wbn)	268
EPS Growth (19F, %)	28.9
Market EPS Growth (19F, %)	-20.0
P/E (19F, x)	15.9
Market P/E (19F, x)	11.6
KOSPI	2,023.32

Market Cap (Wbn)	2,983
Shares Outstanding (mn)	505
Free Float (%)	21.9
Foreign Ownership (%)	5.2
Beta (12M)	1.00
52-Week Low	4,615
52-Week High	7,080

(%)	1M	6M	12M
Absolute	0.7	1.0	-16.4
Relative	10.3	5.6	1.5



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Ssangyong Cement

(003410 KS)

Korea's cement prices among the cheapest in the world

Shares pull back on unproven fears

Ssangyong Cement's shares have come under pressure, amid worries about shipments and a potential sale by the company's largest shareholder. The stock is currently at its lowest point since 4Q18, and the pullback has pushed up the stock's dividend yield to the 6% level. While shares have declined, the company reported solid 1Q19 earnings that were in line with market expectations, supported by higher cement prices, stronger shipments, and cost-saving effects.

Focus on positive changes

The biggest concern for the cement industry right now is a decline in shipments as a result of fewer apartment presales. Indeed, cement shipments in the housing sector look set to decline in the near term, given the continued fall in apartment presales since 2017. However, we believe uncertainties surrounding shipments will gradually subside going forward.

For one, we expect apartment presale volume to recover. In 1Q19, nationwide apartment presale volume increased 7% YoY to 53,000 units. For the full year, we forecast presale volume to grow 17% YoY to 350,000 units. Presale volume growth should support a recovery in cement demand. The government's new 300,000-unit urban development project should also contribute to steady shipment growth. Another positive driver will be increased infrastructure spending. The government recently announced plans to invest W30tr in community SOC in an effort to stimulate growth. One major difference between community SOC (cultural and sports centers) and traditional SOC (roads and railway) is the shorter construction time. As such, we expect community SOC to provide a near-term boost to cement demand.

Global cement prices on the rise; watch for domestic cement price increases

Global cement prices have continued to rise since 2018, fueled by growing infrastructure spending and increasing demand for urban development. However, the gap between Korea's cement prices and global prices has widened, even after prices were hiked in October 2018. While this may be partly due to F/X rates, Korea's cement price per tonne currently stands at W63,471 (average price of six firms), below the prices in China and India.

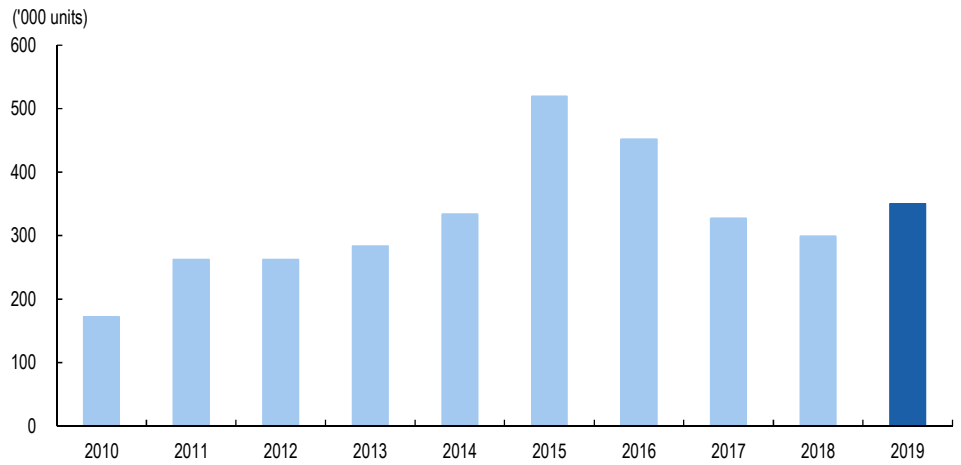
Previously, domestic cement players faced intense competition, unstable supply/demand, and deteriorating financial positions, which weighed on cement prices. Looking ahead, we believe market realignment, tighter control over supply/demand, and healthier financial positions will lead to domestic price increases. Despite risks of a near-term fall in shipments, we maintain our Buy rating and target price of W8,300 on Ssangyong Cement, based on our long-term view of price increases.

FY (Dec.)	12/16	12/17	12/18	12/19F	12/20F	12/21F
Revenue (Wbn)	1,430	1,517	1,510	1,587	1,740	1,751
OP (Wbn)	258	251	247	268	307	320
OP margin (%)	18.0	16.5	16.4	16.9	17.6	18.3
NP (Wbn)	173	302	146	189	215	220
EPS (W)	401	613	290	373	425	436
ROE (%)	11.6	16.6	7.5	9.8	11.2	11.3
P/E (x)	7.4	6.1	21.7	15.9	13.9	13.6
P/B (x)	0.8	1.0	1.6	1.6	1.5	1.5
Dividend yield (%)	1.1	5.7	5.9	6.4	6.4	6.4

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

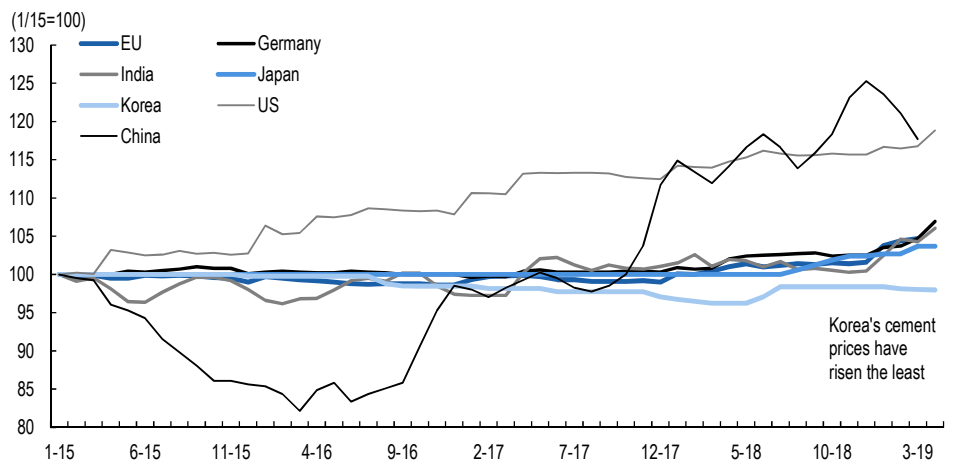
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Figure 1. Apartment presale volume to recover in 2019



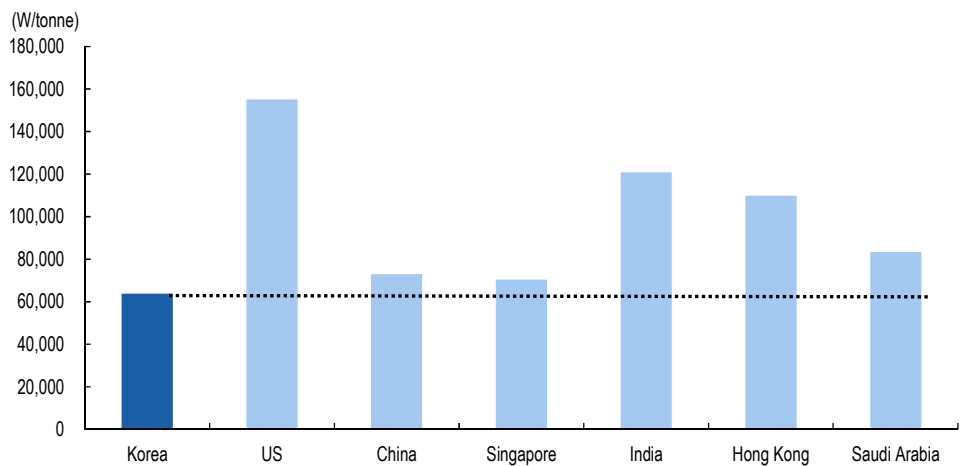
Source: Real Estate 114, Mirae Asset Daewoo Research

Figure 2. Cement price trends in major countries (based on PPI)



Source: CEIC, Mirae Asset Daewoo Research

Figure 3. Comparison of 2019 global cement prices (based on won)



Source: Bloomberg, Mirae Asset Daewoo Research

Ssangyong Cement (003410 KS/Buy/TP: W8,300)

Comprehensive Income Statement (Summarized)

(Wbn)	12/18	12/19F	12/20F	12/21F
Revenue	1,510	1,587	1,740	1,751
Cost of Sales	1,116	1,158	1,272	1,264
Gross Profit	394	429	468	487
SG&A Expenses	147	161	161	167
Operating Profit (Adj)	247	268	307	320
Operating Profit	247	268	307	320
Non-Operating Profit	-47	-20	-21	-27
Net Financial Income	-27	-30	-28	-26
Net Gain from Inv in Associates	-1	0	0	0
Pretax Profit	200	248	286	293
Income Tax	53	58	69	70
Profit from Continuing Operations	147	191	217	223
Profit from Discontinued Operations	0	0	0	0
Net Profit	147	191	217	223
Controlling Interests	146	189	215	220
Non-Controlling Interests	1	2	2	2
Total Comprehensive Profit	132	173	217	223
Controlling Interests	132	179	225	230
Non-Controlling Interests	1	-6	-8	-8
EBITDA	382	415	441	443
FCF (Free Cash Flow)	180	269	468	383
EBITDA Margin (%)	25.3	26.1	25.3	25.3
Operating Profit Margin (%)	16.4	16.9	17.6	18.3
Net Profit Margin (%)	9.7	11.9	12.4	12.6

Cash Flows (Summarized)

(Wbn)	12/18	12/19F	12/20F	12/21F
Cash Flows from Op Activities	316	308	468	383
Net Profit	147	191	217	223
Non-Cash Income and Expense	234	233	232	220
Depreciation	112	138	126	115
Amortization	24	9	8	8
Others	98	86	98	97
Chg in Working Capital	-51	-58	82	3
Chg in AR & Other Receivables	21	43	-4	-7
Chg in Inventories	-36	-6	-1	-3
Chg in AP & Other Payables	-36	5	18	3
Income Tax Paid	-18	-62	-69	-70
Cash Flows from Inv Activities	-116	-57	-12	-6
Chg in PP&E	-109	-38	0	0
Chg in Intangible Assets	-23	0	0	0
Chg in Financial Assets	15	1	-9	-3
Others	1	-20	-3	-3
Cash Flows from Fin Activities	-257	-202	-223	-224
Chg in Financial Liabilities	11	-8	2	0
Chg in Equity	24	0	0	0
Dividends Paid	-181	-142	-192	-192
Others	-111	-52	-33	-32
Increase (Decrease) in Cash	-56	44	234	153
Beginning Balance	287	230	274	508
Ending Balance	230	274	508	661

Source: Company data, Mirae Asset Daewoo Research estimates

Statement of Financial Condition (Summarized)

(Wbn)	12/18	12/19F	12/20F	12/21F
Current Assets	781	834	1,076	1,242
Cash and Cash Equivalents	230	274	508	661
AR & Other Receivables	314	319	323	330
Inventories	117	119	120	123
Other Current Assets	120	122	125	128
Non-Current Assets	2,648	2,539	2,413	2,292
Investments in Associates	1	1	1	2
Property, Plant and Equipment	2,183	2,076	1,950	1,836
Intangible Assets	349	340	331	324
Total Assets	3,429	3,373	3,489	3,534
Current Liabilities	527	540	588	595
AP & Other Payables	178	174	203	207
Short-Term Financial Liabilities	245	264	266	266
Other Current Liabilities	104	102	119	122
Non-Current Liabilities	922	889	932	939
Long-Term Financial Liabilities	656	629	629	629
Other Non-Current Liabilities	266	260	303	310
Total Liabilities	1,450	1,428	1,520	1,534
Controlling Interests	1,935	1,909	1,932	1,960
Capital Stock	505	505	505	505
Capital Surplus	768	768	768	768
Retained Earnings	677	669	692	720
Non-Controlling Interests	45	35	37	40
Stockholders' Equity	1,980	1,944	1,969	2,000

Forecasts/Valuations (Summarized)

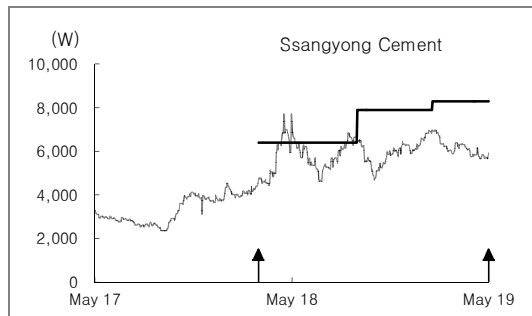
	12/18	12/19F	12/20F	12/21F
P/E (x)	21.7	15.9	13.9	13.6
P/CF (x)	8.4	7.1	6.7	6.8
P/B (x)	1.6	1.6	1.5	1.5
EV/EBITDA (x)	10.0	8.6	7.6	7.2
EPS (W)	290	373	425	436
CFPS (W)	753	838	888	876
BPS (W)	3,828	3,778	3,823	3,879
DPS (W)	370	380	380	380
Payout ratio (%)	126.8	100.4	88.2	86.0
Dividend Yield (%)	5.9	6.4	6.4	6.4
Revenue Growth (%)	-0.5	5.1	9.6	0.6
EBITDA Growth (%)	8.2	8.6	6.3	0.5
Operating Profit Growth (%)	-1.6	8.5	14.6	4.2
EPS Growth (%)	-52.7	28.6	13.9	2.6
Accounts Receivable Turnover (x)	4.7	5.2	5.6	5.5
Inventory Turnover (x)	13.4	13.5	14.6	14.4
Accounts Payable Turnover (x)	8.7	10.3	10.6	9.7
ROA (%)	4.2	5.6	6.3	6.3
ROE (%)	7.5	9.8	11.2	11.3
ROIC (%)	6.5	7.2	9.0	9.8
Liability to Equity Ratio (%)	73.2	73.5	77.2	76.7
Current Ratio (%)	148.1	154.5	183.0	208.6
Net Debt to Equity Ratio (%)	31.1	28.9	16.8	8.8
Interest Coverage Ratio (x)	8.6	8.2	9.4	9.8

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
Ssangyong Cement (003410)	02/14/2019	Buy	8,300
	09/27/2018	Buy	7,900
	03/28/2018	Buy	6,400



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	83.52%	8.24%	8.24%	0.00%
Investment Banking Services	82.61%	4.35%	13.04%	0.00%

* Based on recommendations in the last 12-months (as of March 31, 2019)

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