

AeroSpace Technology of Korea (067390 KS)

Solid growth

BUY (MAINTAIN)

Price (Feb. 14)	W14,650
Target Price	W20,000
% variance	36.5%

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KOSPI	2,225.85p
KOSDAQ	742.27p
Market Cap.	W230.2bn/ US202.0mn
Par Value	W500
Outstanding Shares	15.7mn
Free Floating Shares	12.2mn(77.6%)
52-Week High/Low	W21,600/W9,490
60-Day Avg. Trading Volume	180,470shrs
60-Day. Avg. Trading T/O	W2,170mn
Foreign Ownership	1.06%
Major Shareholders	

Hui-Won Kim and 1 other 22.16%

KAY Investment 11.73%

Absolute Performance	3M	45.0%
	6M	3.9%
	12M	-31.9%
Relative performance	3M	31.2%
to KOSDAQ	6M	6.7%
	12M	-22.2%

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- ♦ 4Q18 operating profit of W3.8bn (+135.3% YoY) beats consensus by 34.6%
- ♦ 2019 outlook: Sales of W154.3bn (+31.9% YoY), operating profit of W15.7bn (+43.8% YoY)
- ♦ Retain BUY and raise target price by 25% to W20,000

4Q18 operating profit of W3.8bn (+135.3% YoY) beats consensus by 34.6%

AeroSpace Technology of Korea posted sales of W33bn (+15.8% YoY) in 4Q18. Operating profit came in at W3.8bn (+135.3% YoY), beating the W2.8bn consensus by 34.6%. Increased shipments of section 48 for B737 MAX (+6 units/month) propelled sales growth. Section 48 sales amounted to an estimated W12.4bn (+97.5% YoY). Operating profit margin reached the post-IPO high of 11.4% (+5.8%p YoY). Strong earnings were attributable to increased output of section 48 and greater production efficiency.

2019 outlook: Sales of W154.3bn (+31.9% YoY), operating profit of W15.7bn (+43.8% YoY)

We forecast sales of W154.3bn (+31.9% YoY) and operating profit of W15.7bn (+43.8% YoY) for 2019, based on the following: 1) increase in monthly production of Boeing 737 jets (52 units in 4Q18 → 57 units in 4Q19), which account for 60.9% of sales as of 2017; 2) sales recognition of orders for new products; and 3) continuing growth of section 48 production. Embraer's E2 fuselage order should generate sales of W20bn in 2019. The monthly production of B737 MAX section 48 is expected to increase from 10 units in 4Q18 to 19 units in 4Q19.

Full-year order intake is projected at US\$400mn (-37.3% YoY). The company is working on winning fuselage and section 48 orders from European clients.

Retain BUY and raise target price by 25% to W20,000

We raise our target price for AeroSpace Technology of Korea to W20,000, based on 2021F EPS of W1,007 and a target PER of 20x (6% discount to average PER of 21.2x of aircraft parts suppliers). Investment points are: 1) ramp-up of shipments of newly ordered products; 2) increased number of B737 deliveries; and 3) share price of Boeing, the largest client, hitting new highs on the back of brisk earnings. A possible EPS dilution (19.3%) after the conversion of CBs poses a concern.

Year to Dec.	Sales (W bn)	OP (W bn)	Pre-tax (W bn)	NP (W bn)	EPS (Won)	Growth (%)	BPS (Won)	PER (X)	EV/EBITDA (X)	PBR (X)	ROE (%)	Net Debt to Equity Ratio (%)
2016	87.9	7.3	5.1	7.3	512	N/A	5,284	34.2	28.5	3.3	9.5	96.2
2017	97.2	8.1	1.1	1.4	99	(80.7)	6,715	195.4	29.3	2.9	1.7	113.0
2018F	117.0	10.9	6.7	4.9	318	221.0	6,773	32.4	20.9	1.5	4.8	166.7
2019F	154.3	15.7	12.2	8.8	559	75.9	7,332	26.2	19.6	2.0	7.9	166.3
2020F	191.3	20.8	17.3	12.5	796	42.3	8,128	18.4	16.1	1.8	10.3	147.3

Source: Company data, Shinhan Investment Corp.

4Q18 preliminary results

	4Q18P	3Q18	QoQ (%)	4Q17	YoY (%)	SHIC	Consensus
Sales (bn KRW)	33.0	32.5	1.6	28.5	15.8	33.4	34.1
OP	3.8	3.0	24.7	1.6	135.3	3.2	2.8
Pre-tax profit	1.7	1.0	75.4	(2.1)	TP	2.4	1.4
NP	1.0	0.7	36.4	(1.3)	TP	1.7	1.0
OPM (%)	11.4	9.3	-	5.6	-	9.5	8.2
Pre-tax margin	5.3	3.0	-	(7.4)	-	7.2	4.1
NPM	2.9	2.1	-	(4.7)	-	5.2	2.8

Source: QuantiWise, company data, Shinhan Investment Corp.

Earnings forecast revision

	After			Before			Change (%)			Consensus		
	2018P	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Sales (bn KRW)	117.0	154.3	191.3	117.4	154.3	191.3	(0.3)	0.0	0.0	118.2	153.2	191.7
OP	10.9	15.7	20.8	10.3	15.6	20.8	5.9	0.3	0.3	10.2	15.8	20.4
Pre-tax profit	6.7	12.2	17.3	7.4	12.1	17.3	(8.9)	0.3	0.3	6.2	12.1	17.2
NP	4.9	8.8	12.5	5.7	8.8	12.5	(13.6)	0.3	0.3	4.9	8.9	12.3
EPS (KRW)	318.0	559.3	796.1	368.1	557.6	793.9	(13.6)	0.3	0.3	-	-	-
OPM (%)	9.3	10.1	10.9	8.8	10.1	10.9	-	-	-	8.6	10.3	10.6
Pre-tax margin	5.8	7.9	9.1	6.3	7.9	9.0	-	-	-	5.2	7.9	8.9
NPM	4.2	5.7	6.5	4.9	5.7	6.5	-	-	-	4.1	5.8	6.4

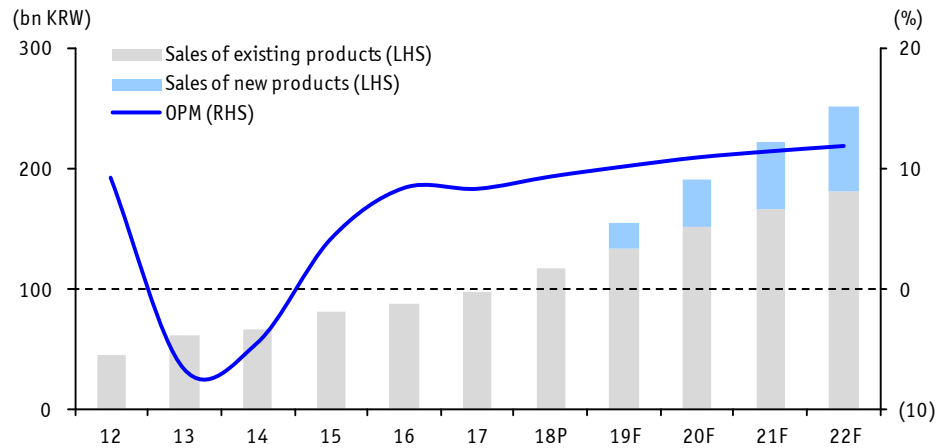
Source: Company data, QuantiWise, Shinhan Investment Corp.

Earnings trend and outlook

		1Q18	2Q18	3Q18	4Q18P	1Q19F	2Q19F	3Q19F	4Q19F	2017	2018P	2019F	2020F	2021F	2022F
Total order intake (mn USD)	Total	2,971	2,953	2,953	2,953	3,053	3,153	3,253	3,353	2,315	2,953	3,353	3,753	4,153	4,553
New order intake		656	(18)	0	0	100	100	100	100	385	637	400	400	400	400
Sales (bn KRW)	Total	25.2	26.4	32.5	33.0	30.8	39.6	40.8	43.1	97.2	117.0	154.3	191.3	221.9	252.3
	Existing products	25.2	26.4	32.5	33.0	30.8	33.2	34.4	35.8	97.2	117.0	134.2	151.8	166.4	180.8
	Section 48	3.9	10.2	12.6	12.4	13.0	15.1	16.1	17.0	17.5	39.1	61.2	71.7	78.0	84.9
	Bulkhead	4.5	4.3	4.7	6.4	6.5	6.6	6.6	6.8	19.0	20.0	26.6	29.4	32.7	35.6
	U/L Deck	1.8	2.3	3.2	2.4	2.4	2.5	2.5	2.5	7.3	9.7	9.9	10.9	12.2	13.2
	Stringer, etc.	1.9	1.8	1.6	1.6	1.7	1.7	1.8	1.8	5.8	6.9	7.0	7.6	8.3	9.1
	Others	23.4	24.1	26.2	26.8	27.3	27.8	28.3	29.0	69.8	100.5	112.4	122.7	134.9	145.9
	New products	0.0	0.0	0.0	0.0	0.0	6.4	6.4	7.4	0.0	0.0	20.1	39.5	55.5	71.5
COGS	Total	21.1	22.3	26.2	26.8	25.7	32.6	33.6	35.5	82.2	96.3	127.4	156.7	180.9	204.7
COGS ratio (%)		83.8	84.3	80.7	81.2	83.3	82.5	82.4	82.2	84.5	82.3	82.6	81.9	81.5	81.2
SG&A	Total	2.1	2.0	3.2	2.4	2.3	2.9	3.0	3.1	7.0	9.8	11.2	13.7	15.7	17.6
SG&A ratio (%)		8.4	7.6	10.0	7.4	7.5	7.3	7.3	7.2	7.2	8.4	7.3	7.2	7.1	7.0
OP (bn KRW)	Total	2.0	2.1	3.0	3.8	2.8	4.0	4.2	4.5	8.1	10.9	15.7	20.8	25.3	29.9
Pre-tax profit		0.7	3.3	1.0	1.7	2.0	3.2	3.3	3.7	1.1	6.7	12.2	17.3	21.9	26.7
NP		0.6	2.7	0.7	1.0	1.4	2.3	2.4	2.6	1.4	4.9	8.8	12.5	15.8	19.3
Sales growth (%)	YoY	16.9	19.9	29.0	15.8	22.4	49.9	25.7	30.8	10.6	20.4	31.9	24.0	16.0	13.7
	QoQ	(11.6)	4.8	23.1	1.6	(6.6)	28.4	3.2	5.7	-	-	-	-	-	-
OP growth	YoY	9.6	(1.6)	21.2	135.3	45.0	89.7	39.6	20.5	9.7	35.2	43.8	33.2	21.5	18.1
	QoQ	22.4	8.7	41.7	24.7	(24.5)	42.2	4.3	7.7	-	-	-	-	-	-
OPM (%)	Total	7.8	8.1	9.3	11.4	9.2	10.2	10.3	10.5	8.3	9.3	10.1	10.9	11.4	11.9
Pre-tax margin		2.7	12.6	3.0	5.3	6.5	8.0	8.2	8.5	1.1	5.8	7.9	9.1	9.9	10.6
NPM		2.3	10.3	2.1	2.9	4.7	5.8	5.9	6.1	1.5	4.2	5.7	6.5	7.1	7.6

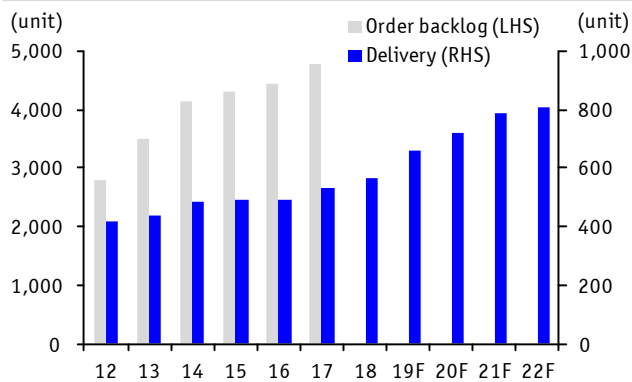
Source: Company data, Shinhan Investment Corp.

Sales and operating profit margin



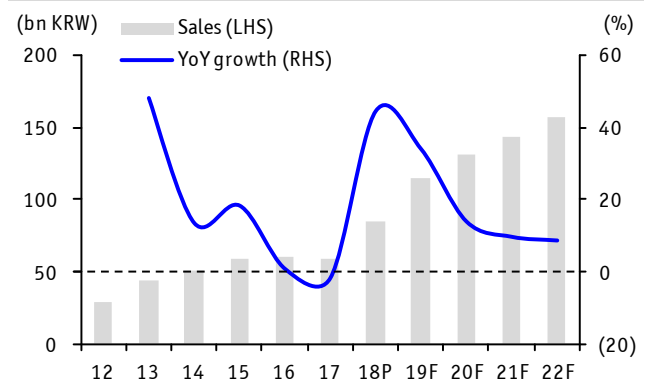
Source: Company data, Shinhan Investment Corp.

B737 order backlog and deliveries



Source: Company data, Shinhan Investment Corp.

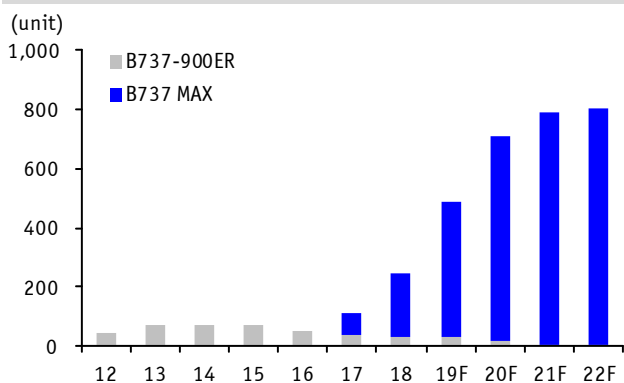
B737 related sales



Source: Company data, Shinhan Investment Corp.

Note: Estimated sales

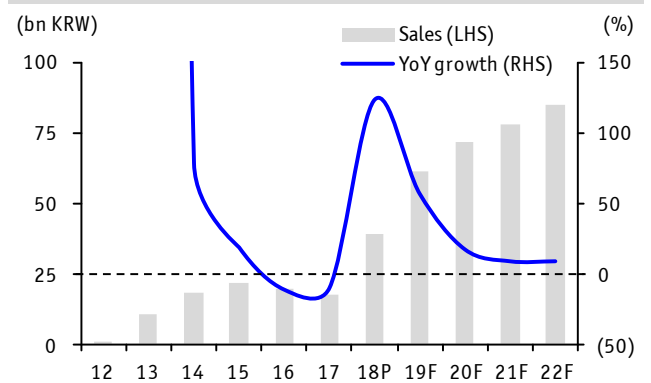
B737 MAX and B737-900ER deliveries



Source: Company data, Shinhan Investment Corp.

Note: Section 48 for B737 MAX makes up 30-50% of total deliveries

Section 48 sales



Source: Company data, Shinhan Investment Corp.

Note: Growth of 2,546.2% in 2013, 78.1% in 2014

Aircraft parts orders															
Product (mn USD)		Year of contract	Contract expiry	Total orders											Estimated sales
				1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	
SPIRIT	B737 NG SEC. 48	2012	2020	423	423	423	423	423	423	423	423	423	423	423	52.8
	B737 MAX SECTION 48	2017	2024	-	-	-	-	-	-	259	259	259	259	259	37.0
	B737 Door Detail	2017	2023	-	-	-	103	103	103	103	103	103	103	103	17.2
	LCC Package	2018	2026	-	-	-	55	104	104	104	104	104	104	104	13.0
	B737 NG Stringer	2016	2018	-	-	24	24	24	24	24	24	24	24	24	11.8
	B737 BKHD 1088	2007	2020	144	144	144	144	144	144	144	144	144	144	144	11.1
	B737 UPR/LWR DECK	2011	2020	87	87	87	87	87	87	87	87	87	87	87	9.7
	B738 BKHD 1156, 1042	2007	2020	65	65	65	65	65	65	65	65	65	65	65	5.0
	SA	2009	2020	53	53	53	53	53	53	53	53	53	53	53	4.8
	B737 APU Door	2011	2020	37	37	37	37	37	37	37	37	37	37	37	4.2
	B737MAX Frame Assembly	2016	2019	-	-	2	2	2	2	2	2	2	2	2	0.6
	MAX Stringer	2015	2020	2	2	2	2	2	2	2	2	2	2	2	0.4
	B777X V-BLADE	2016	2021	-	-	2	2	2	2	2	2	2	2	2	0.3
	B737MAX Frame & Frame Support	2016	2021	-	-	0	0	0	0	0	0	0	0	0	0.1
	B777X Seal Retainer	2016	2019	-	-	0	0	0	0	0	0	0	0	0	0.0
BOEING	B747 BCF MDCD & SS	2011	250 units	326	326	326	326	326	326	326	326	326	326	326	-
SAC	C Series Stringer (66 items)	2012	100 units	6	6	6	6	6	6	6	6	6	6	6	-
	C Series Stringer (156 items)	2015	100 units	4	4	4	4	4	4	4	4	4	4	4	-
	C Series Stringer (45 items)	2015	100 units	1	1	1	1	1	1	1	1	1	1	1	-
STAIS	B757 MDCD & CED	2005	150 units	22	22	22	22	22	22	22	22	22	22	22	-
TA-VAD	E2 Skin Panel	2015	2034	350	350	350	350	350	350	350	350	350	350	350	18.4
	B747 Empennage	2015	2019	32	32	32	32	32	32	32	32	32	32	32	8.1
	E2 Floor Grid Assy	2017	2027	-	-	-	-	-	-	60	60	60	60	60	6.0
	B747 AFT Body	2011	2021	50	44	50	50	50	50	50	50	50	50	50	5.0
	E2 Pressure Dome BKHD	2016	2034	56	56	56	56	56	56	56	56	56	56	56	3.1
	E2 Sheet Metal	2017	2027	-	-	-	-	-	-	9	9	9	9	9	0.9
	747-8 BKHD Skin Panel Assy	2015	38 units	6	56	6	6	6	6	6	6	6	6	6	-
	E2 Fuselage Integration	2017	2034	-	-	-	-	-	-	-	-	615	615	615	36.2
	Other parts (B747)	2017	100 units	-	-	-	-	-	-	0	0	37	37	0	-
	Bombardier G7000, G8000	2017	2027	-	-	-	-	-	-	-	-	-	-	37	3.7
	B767 Sheet Metal	2018	2022	-	-	-	-	-	-	-	-	1	1	1	0.3
SACC	Q400 Skin	2015	2020	4	4	4	4	4	6	6	6	6	6	6	1.3
	B737 Sec 48 Skin	2015	2020	3	3	3	3	3	3	3	3	3	3	3	0.7
	B737 BKHD Web 1088	2015	2020	2	2	2	2	2	2	2	2	2	2	2	0.5
	B737 APU Skin	2015	2020	2	2	2	2	2	2	2	2	2	2	2	0.4
	B737 Stringer	2015	2020	2	2	2	2	2	2	2	2	2	2	2	0.3
LATECOERE	A350 Norse Fairing Skin	2018	2023	-	-	-	-	-	-	17	17	17	17	17	3.4
RUAG	CRJ Skin	2016	2036	32	32	32	32	32	32	32	32	32	32	32	1.6
	CRJ STR	2018	2021	-	-	-	-	-	-	-	-	-	1	1	0.5
	CRJ Mid Skin	2018	2021	-	-	-	-	-	-	-	-	-	0	0	0.0
ADS	A320NEO Fan Cowl Doors Machining Parts	2016	2025	-	-	-	9	9	9	9	9	9	9	9	1.0
KAL	737/777/787 sheet metal, E1 Panel	2016	2024	-	-	7	9	9	8	7	7	7	7	7	0.9
Total				1,726	1,721	1,763	1,930	1,979	1,979	2,308	2,315	2,959	2,960	2,960	260.0

Source: Company data, Shinhan Investment Corp.

PER valuation: Target price of W20,000

	Previous	Revised
Target price (KRW)	16,000	20,000
Target PER (x)	20	20
Current price (KRW)	14,650	14,650
Upside (%)	9.2	36.5
EPS (KRW)	794	1,007
		2021F EPS

Source: Company data, Shinhan Investment Corp

Note: Target price calculation based on 2021 when delivery of newly ordered products begin and production yields normalize

Valuation

	2014	2015	2016	2017	2018P	2019F	2020F	2021F	2022F
Target price (KRW)	-	-	-	-	20,000	20,000	20,000	20,000	20,000
Target PER (x)	-	-	-	-	62.9	35.8	25.1	19.9	16.3
Share price (KRW)	8,370	23,500	17,500	19,350	10,300	14,650	14,650	14,650	14,650
Upside (%)	-	-	-	-	-	-	-	36.5	-
PER (end, x)	(8.8)	128.0	34.2	195.4	32.4	26.2	18.4	14.5	11.9
PER (high, x)	(10.2)	204.7	49.4	210.0	76.9	26.5	18.6	14.7	12.1
PER (low, x)	(7.5)	42.1	29.5	155.0	28.6	18.1	12.7	10.1	8.3
PER (average, x)	(8.6)	125.8	37.9	175.1	50.1	22.0	15.5	12.2	10.0
PBR (end, x)	2.3	5.6	3.3	2.9	1.5	2.0	1.8	1.6	1.4
EPS (KRW)	(953)	184	512	99	318	559	796	1,007	1,227
YoY (%)	-	TP	179.0	(80.7)	221.0	75.9	42.3	26.5	21.8
BPS (KRW)	3,720	4,190	5,284	6,715	6,773	7,332	8,128	9,136	10,363
ROE (%)	(21.4)	4.8	10.8	1.7	4.8	7.9	10.3	11.7	12.6

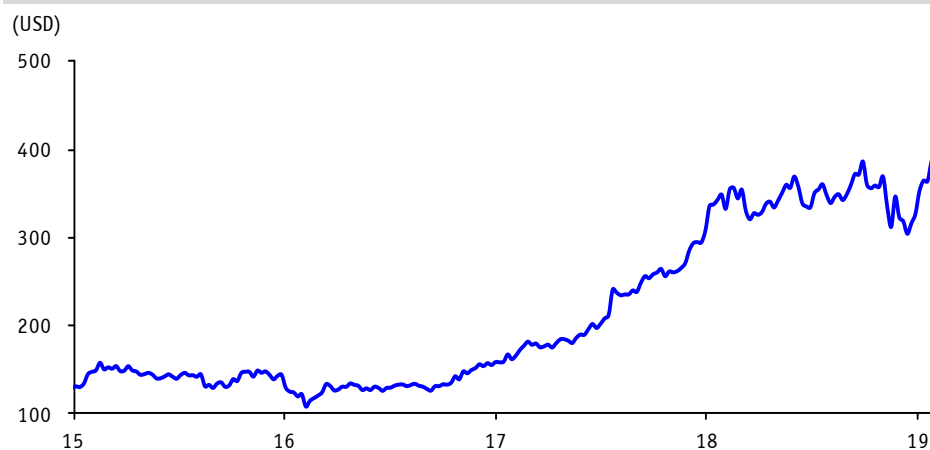
Source: Company data, Shinhan Investment Corp.

Global peer valuation

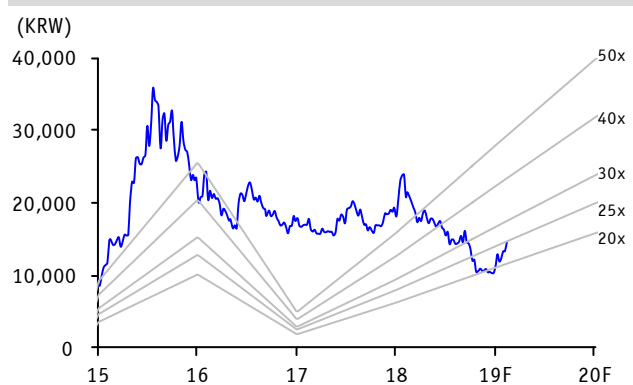
Country	Company	Market cap. (tr KRW)	Share price gains		PER		PBR		EV/EBITDA		ROE		EPS growth	
			1M	YTD	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F
Asia	Korea Aerospace Industries	3.4	4.9	10.3	24.9	24.5	2.9	2.6	12.3	11.5	12.6	11.3	187.6	1.5
	AeroSpace Technology of Korea	0.2	17.2	42.2	26.2	18.4	2.0	1.8	19.6	16.1	7.9	10.3	75.9	42.3
	ST Engineering	9.8	5.3	8.0	18.9	17.7	4.9	4.6	12.6	11.7	26.1	26.8	14.0	7.5
	AVIC Aircraft	6.9	6.3	12.5	53.0	43.7	2.4	2.3	24.6	21.3	4.6	5.4	27.2	21.8
	Aviation Industry Corporation of China	4.8	11.7	8.3	17.4	14.9	1.6	1.4	9.8	8.7	9.4	9.9	17.3	16.8
	Average				28.1	23.8	2.8	2.6	15.8	13.9	12.1	12.7	64.4	18.0
U.S.	TransDigm	25.7	24.1	27.1	25.4	22.7	-	-	16.0	14.8	(61.0)	(128.2)	(3.4)	12.4
	Spirit	11.1	21.5	29.9	12.4	11.0	7.5	6.0	8.4	7.9	60.1	56.2	19.3	7.3
	Triumph	1.3	67.9	100.3	9.5	6.8	2.6	2.8	8.7	7.4	3.2	2,436.3	79.6	36.3
	Average				15.8	13.5	5.1	4.4	11.0	10.0	0.8	788.1	31.8	18.7
Europe	Safran	63.6	8.6	9.0	20.1	17.2	4.3	3.8	12.5	11.1	22.9	25.1	18.8	19.4
	Thales	27.4	0.3	(0.6)	16.3	14.0	3.4	3.0	7.9	6.9	22.0	24.3	17.6	19.0
	Dassault	14.0	8.0	9.3	17.2	15.3	2.2	2.0	14.5	12.9	12.8	13.1	10.4	12.0
	Average				17.9	15.5	3.3	2.9	11.6	10.3	19.2	20.8	15.6	16.8
Average					22.0	18.7	3.4	3.0	13.3	11.8	11.0	226.4	42.2	17.8

Source: Bloomberg, Shinhan Investment Corp.

Share performance of Boeing (BA US)



12-month forward PER



12-month forward PBR



Total shares outstanding

Issuance	Conversion period	Conversion amount (KRW)	Number of convertible shares (1,000 shares)	Percentage of issued shares (common shares + CBs) (%)
4th issuance	02/18-02/22	12,390	1,243	6.4
5th issuance	10/19-10/23	10,332	2,516	12.9
Total	-	-	3,759	19.3
No. of common shares	-	-	15,715	80.7
Total	-	-	19,474	100.0

Source: Company data, Shinhan Investment Corp.

Balance Sheet

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Assets	224.1	310.5	405.4	419.7	435.8
Total Current Assets	97.3	143.2	197.6	200.0	216.0
Cash and Cash Equivalents	9.1	23.1	26.3	11.2	16.8
Accounts Receivables	25.8	26.5	47.9	52.8	55.7
Inventories	46.0	71.5	102.6	113.1	119.2
Non-Current Assets	126.8	167.3	207.8	219.7	219.9
Tangible Assets	89.3	113.3	150.9	164.3	165.7
Intangible Assets	4.7	5.2	5.8	4.3	3.2
Investment Assets	18.2	23.8	24.2	24.2	24.2
Other Financial Institutions Assets	0.0	0.0	0.0	0.0	0.0
Liabilities	131.8	195.4	282.7	287.7	290.7
Current Liabilities	75.4	101.7	152.0	156.3	158.8
ST Borrowings	38.3	44.3	89.6	89.6	89.6
Account Payables	8.2	23.7	28.5	31.4	33.2
Current Portion of LT Debt	3.4	10.0	11.2	11.2	11.2
Non-Current Liabilities	56.4	93.7	130.7	131.4	131.9
Bonds	25.2	25.3	28.6	28.6	28.6
LT Borrowings(incl. LT Fin. Liab.)	25.7	62.2	95.0	95.0	95.0
Other Financial Institutions Liab.	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	92.3	115.1	122.7	132.0	145.2
Capital Stock	7.2	7.4	7.9	7.9	7.9
Capital Surplus	66.2	67.9	77.6	77.6	77.6
Other Reserves	1.9	21.7	15.2	15.2	15.2
Accu. Other Comp. Income	0.5	0.3	0.1	0.1	0.1
Retained Earnings	0.4	1.7	5.7	14.5	27.0
Owners of Parent Equity	76.2	99.0	106.4	115.2	127.8
Non-Controlling Interests Equity	16.1	16.1	16.3	16.8	17.4
*Total Debt	110.9	160.1	236.7	237.0	237.2
*Net Debts(Cash)	88.8	130.1	204.6	219.5	213.7

Cash Flow

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Operating Cash Flow	(13.7)	(11.8)	(28.2)	10.3	18.9
Net Profit	6.2	1.5	5.1	9.3	13.2
Depreciation	4.2	4.9	5.9	6.6	6.7
Amortization	1.0	1.7	1.5	1.5	1.1
Losses(Gains) on F/X Translation	(0.8)	2.3	(0.0)	0.0	0.0
Losses(Gains) on Disp. of Assets	(0.0)	0.0	0.0	0.0	0.0
Losses(Gains) in Asso., Subs., JVs	0.1	(0.1)	(1.3)	(2.8)	(2.8)
Chg. in A/L from Op. Activities	(28.5)	(27.1)	(43.7)	(4.3)	0.8
(Payments of Income Taxes)	(0.0)	(0.2)	(1.0)	(2.9)	(4.2)
Others	4.1	5.2	5.3	2.9	4.1
Investing Cash Flow	(63.5)	(42.0)	(42.6)	(17.8)	(5.5)
Incr. in Tangible Assets(CAPEX)	(48.5)	(40.6)	(42.7)	(20.0)	(8.0)
Decr. in Tangible Assets	4.5	0.3	0.0	0.0	0.0
Decr.(Incr.) in Intangible Assets	(1.7)	(2.3)	(2.1)	0.0	0.0
Decr.(Incr.) in Investment Assets	(5.9)	(5.6)	0.7	2.8	2.8
Others	(11.9)	6.2	1.5	(0.6)	(0.3)
Free Cash Flow	N/A	(47.2)	(69.6)	(13.0)	8.0
Financing Cash Flow	78.1	67.9	76.0	0.3	0.2
Incr.(Decr.) in Borrowing	41.1	46.2	70.8	0.3	0.2
Decr.(Incr.) of Treasury Stock	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	0.0	0.0
Others	37.0	21.7	5.2	0.0	0.0
Other Cash Flows	0.0	0.0	(2.0)	(8.0)	(8.0)
Change of Consolidated Scope	0.0	0.0	0.0	0.0	0.0
Difference by Chg. in F/X Rates	0.0	(0.2)	0.0	0.0	0.0
Incr.(Decr.) in Cash	0.8	13.9	3.3	(15.2)	5.6
Beginning Cash	8.3	9.1	23.1	26.3	11.1
Ending Cash	9.1	23.1	26.3	11.1	16.8

Source: Company data, Shinhan Investment Corp.

Profit and Loss

Year to Dec. (W bn)	2016	2017	2018F	2019F	2020F
Sales	87.9	97.2	117.0	154.3	191.3
Growth (%)	N/A	10.6	20.4	31.9	24.0
COGS	73.7	82.2	96.3	127.4	156.7
Gross Profit	14.2	15.0	20.7	26.9	34.5
Gross margin (%)	16.2	15.5	17.7	17.4	18.1
SG&A	6.9	7.0	9.8	11.2	13.7
Operating Income	7.3	8.1	10.9	15.7	20.8
Growth (%)	N/A	9.7	35.2	43.8	33.2
Operating margin (%)	8.4	8.3	9.3	10.1	10.9
Other Net Non-Operating Profits	(2.2)	(7.0)	(4.1)	(3.5)	(3.5)
Financial Income(Expenses)	(2.3)	(3.2)	(7.8)	(6.3)	(6.3)
Net Other Non-Operating Profits	0.2	(3.8)	2.9	0.0	0.0
Net Gains in Asso., Subs., and JVs	(0.1)	0.1	0.8	2.8	2.8
Pre-tax Profit from Cont. Op.	5.1	1.1	6.7	12.2	17.3
Income Taxes	(1.1)	(0.4)	1.6	2.9	4.2
Profit from Continuing Op.	6.2	1.5	5.1	9.3	13.2
Profit from Discontinued Op.	0.0	0.0	0.0	0.0	0.0
Net Profit	6.2	1.5	5.1	9.3	13.2
Growth (%)	N/A	(76.3)	248.7	81.0	42.3
Net Profit margin (%)	7.0	1.5	4.4	6.0	6.9
Net Profit of Parent	7.3	1.4	4.9	8.8	12.5
Net Profit to Non-Controlling	(1.1)	0.0	0.2	0.5	0.7
Total Comprehensive Income	6.2	1.2	4.9	9.3	13.2
Total Comp. Income of Parent	7.3	1.2	4.9	10.7	15.2
Total Comp. Income to Non-Cont.	(1.1)	0.0	(0.0)	(1.4)	(2.0)
EBITDA	12.5	14.7	18.3	23.7	28.6
Growth (%)	N/A	17.5	24.4	29.6	20.7
EBITDA Margin (%)	14.3	15.2	15.7	15.4	15.0

Note: Operating profit is based on 2012 K-IFRS (gross profit - SG&A costs)

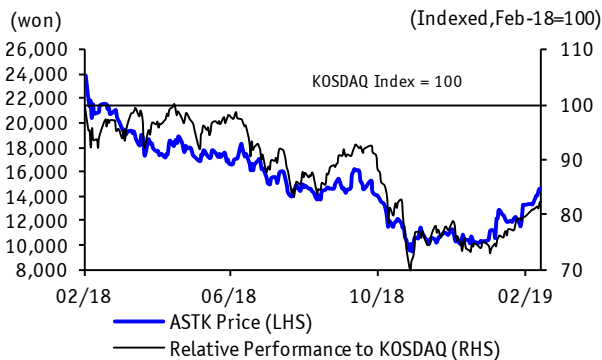
Key Ratios

Year to Dec.	2016	2017	2018F	2019F	2020F
EPS_C (won)	437	100	330	589	838
EPS_P (won)	512	99	318	559	796
BPS_C (won)	6,399	7,809	7,810	8,399	9,237
BPS_P (won)	5,284	6,715	6,773	7,332	8,128
DPS (won)	0	0	0	0	0
PER_C (x)	40.1	192.7	31.3	24.9	17.5
PER_P (x)	34.2	195.4	32.4	26.2	18.4
PBR_C (x)	2.7	2.5	1.3	1.7	1.6
PBR_P (x)	3.3	2.9	1.5	2.0	1.8
EV/EBITDA (x)	28.5	29.3	20.9	19.6	16.1
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Profitability					
EBITDA Margin (%)	14.3	15.2	15.7	15.4	15.0
OP Margin (%)	8.4	8.3	9.3	10.1	10.9
NP Margin (%)	7.0	1.5	4.4	6.0	6.9
ROA (%)	2.8	0.5	1.4	2.2	3.1
ROE (%)	9.5	1.7	4.8	7.9	10.3
ROIC (%)	N/A	5.8	3.4	4.0	5.1
Stability					
D/E Ratio (%)	142.8	169.8	230.3	218.0	200.3
Net Debt to Equity (%)	96.2	113.0	166.7	166.3	147.3
Cash Ratio (%)	12.1	22.7	17.3	7.1	10.6
Interest Coverage (x)	2.3	1.8	1.3	2.4	3.1
Activity (%)					
Working Capital Turnover (t)	1.5	1.4	1.1	1.2	1.3
Inventory Turnover (d)	191.0	220.5	271.4	255.0	221.7
Receivable Turnover (d)	107.3	98.2	116.0	119.1	103.5

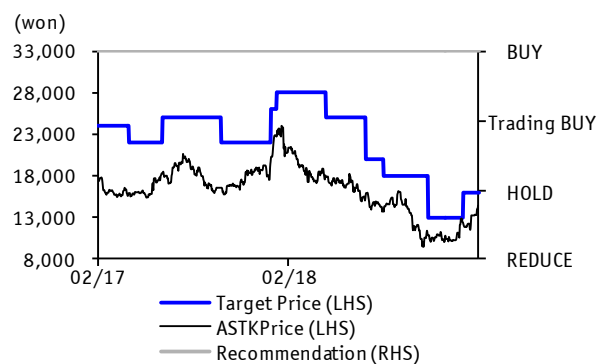
Source: Company data, Shinhan Investment Corp.

AeroSpace Technology of Korea (067390 KS)

Share Price Performance



Target Price



Compliance Notice

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Date	Recommendation	Target Price (won)	Target Price Gap (%)	
			Average	Max/Min
2017.04.16	BUY	22,000	(25.1)	(16.4)
2017.06.19	BUY	25,000	(26.7)	(17.0)
2017.10.09	BUY	22,000	(19.4)	(10.0)
2018.01.12	BUY	26,000	(14.2)	(11.5)
2018.01.23	BUY	28,000	(29.5)	(13.8)
2018.04.27	BUY	25,000	(32.6)	(26.8)
2018.07.12	BUY	20,000	(26.2)	(19.8)
2018.08.15	BUY	18,000	(25.6)	(9.7)
2018.11.08	BUY	13,000	(17.6)	(0.8)
2019.01.14	BUY	16,000	-	-

Note: Calculation of target price gap based on the past 6 months

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SHIC Rating Classifications (As of Apr. 1, 2017)

Stock	Sector
<ul style="list-style-type: none"> ◆ BUY: Expected return of over +10% in the next 6 months ◆ Trading BUY: Expected return of -10% ~ +10% in the next 6 months ◆ HOLD: Expected return of -20% ~ -10% in the next 6 months ◆ REDUCE: Expected return of below -20% in the next 6 months 	<ul style="list-style-type: none"> ◆ OVERWEIGHT: Prevalence of BUY rating for stocks in our sector coverage universe based on market cap ◆ NEUTRAL: Prevalence of HOLD rating for stocks in our sector coverage universe based on market cap ◆ UNDERWEIGHT: Prevalence of REDUCE rating for stocks in our sector coverage universe based on market cap

SHIC Universe Rating Classification Ratio (as of Feb. 12, 2019)

BUY (BUY)	94.01%	Trading BUY (HOLD)	3.23%	HOLD (HOLD)	2.76%	REDUCE (SELL)	0%
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