LEADING

Mid-Cap Research

Hanmi Global (053690 KS)

October 4, 2011

Second phase growth momentum

Analyst : Joon Mo Park
jmpark@leading.co.kr
82-2-2009-7328

Leading Traffic Light: Green

Hanmi Global is …

- ✓ A leading construction management firm with top-notch management
- ✓ The 18th largest non-US construction management /program management firm

Green light because:

- ✓ Second phase growth momentum over the next 2-3 years supported by strong order growth
- ✓ Net profit to more than triple in 2012F from 2011 low

Growth potential:

- ➢ Strong order growth despite sluggish domestic construction orders
- ➢ Revenue to almost triple between 2010 and 2013F

Management & shareholder value:

- ➢ Management priority is providing top-notch CM services by securing highly trained professional staff and developing CM techniques
- ➢ Relatively high dividend yield of 4.3%

Value creation and financial stability:

- ➢ Profitability recovering to a normal level in 2012F with ROE reaching 24%
- ➢ Virtually debt free balance sheet to persist despite issuance of BWs and EB

Valuation:

- ➢ Higher operating margin and ROE compared to domestic and overseas peer group companies'
- ➢ Even considering a potential 25% EPS dilution from BWs, 2012F PER is mere 4.4X

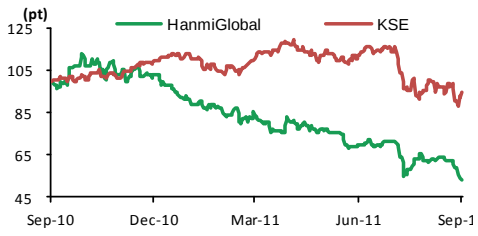
Not Rated

Target Price (KRW)	**N/A**
Current Price (KRW)	**6,990**
Upside potential	**N/A**

Key Data	**September 30, 2011**
Sector	Construction
KOSPI	1,769.65
Market Cap. (Wbn)	49.6
Shares Outstanding (m)	7.1
Foreign Ownership (%)	1.3
52 Week High (W	14,950
Low (W)	6,990
60-d avg. turnover (Wbn)	0.1
Major Shareholders	**(%)**
Jong Hoon Kim & others	47.7
Treasury	1.7

Performance (%)	**1M**	**6M**	**12M**
Absolute	(14.4)	(35.3)	(46.6)
Relative	(8.6)	(18.7)	(41.1)

Relative Performance



CAVEAT EMPTOR!!! – Watch out for…

- ➢ A possible delay in resumption of Libya residential complex construction, start up of the Yongsan business district development project and construction policy changes

Valuation Forecast

FY	Sales (Wbn)	% chg yoy	OP (Wbn)	OPM (%)	NP (Wbn)	EPS (W)	EPS Growth (%)	PER (x)	EV/EBITDA (x)	ROE (%)	P/B (x)
2008	80.3	0.1	9.0	11.2	7.3	1,212	33.1	5.8	2.9	37.1	1.8
2009	95.9	19.4	9.9	10.3	8.2	1,155	(4.7)	6.0	1.6	24.1	1.0
2010	92.8	(3.2)	10.3	11.1	8.3	1,167	1.0	6.0	2.9	18.2	1.1
2011E	134.2	44.5	5.2	3.9	4.4	624	(46.5)	11.2	7.5	9.0	0.9
2012F	203.5	51.6	18.5	9.1	14.0	1,972	215.7	3.5	2.6	24.0	0.8
2013F	259.5	27.5	24.4	9.4	18.5	2,608	32.3	2.7	1.9	25.6	0.6

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Key check points for Hanmi Global

✓ Leading construction management (CM) firm in Korea

Hanmi Global was established as a joint venture with Parsons Corp. of the US. Parsons played a leading role in setting up a CM business structure for the company at the early development stage. Even after Parsons withdrew from JV in 2006, the company has been able to maintain a leading position in the domestic CM market with its highly trained professional staff and top-notch CM techniques and ranked among the top 20 non-US CM/PM firms in the world in Engineering News Record's ranking. There are two types of CM contracts; fee based Agency CM and CM at Risk in which the CM firm acts as both a consultant and a general contractor. The Agency CM is more profitable for the CM firm than CM at Risk. (Page 4)

✓ Second phase growth momentum over the next 2-3 years

Business environment for Hanmi Global does not look positive at the moment as domestic construction orders have continued to decline and the construction of residential complex in Libya has been interrupted. However, it would be misleading if investors pay attention only to sluggish construction orders and the Libya crisis. The CM market has been on a recovery trend and Hanmi Global has enjoyed explosive order growth by fully exploiting its competitiveness. We believe the company will experience the second phase growth momentum over the next 2-3 years. (Page 14)

Indeed, the company's orders more than doubled to W82.5bn in 2H10 from W38.9bn in 1H10 and remained high at above W70bn in 1H11. As such, despite the interrupted Libya construction project, revenue increased almost 50% yoy in 2Q11 and will reach W134.2bn in 2011, up 45% yoy. We estimate that revenue growth will accelerate in 2012F by increasing 52% yoy to over W200bn and reach W260bn in 2013F based on expected resumption of the Libya project, start up of the construction of the Yongsan business district development project and construction policy changes. Net profit should temporarily decline 47% yoy in 2011 due to W5bn write off on the Libya project, but more than triple to W14bn in 2012F in line with strong revenue growth and the absence of write off. (Page 17)

✓ Management priority on development of overseas markets

The management of Hanmi Global has put its highest priority on development of overseas markets for the long term growth of the company. The W19bn acquisition of Otak Inc. of US in 1H11 was a part of its overseas expansion plan. Otak is an engineering firm with strength in planning and design and has also secured a diverse client base in Middle Eastern countries. Hanmi Global expects the acquisition of Otak to provide new business opportunities in developing countries in Middle East and North Africa regions where the construction market for new town and residential complex is rapidly growing. In addition, resumption of the Libya construction project will be a major breakthrough for Hanmi Global. In addition to revenue realization of the remaining order backlog of W46.7bn, it is likely that the company will be able to receive additional orders from Libya, twice as big as the first order (W69.9bn) received in 2008. (Page 16)

✓ Strong financial stability despite issuance of BWs and EB

Hanmi Global had been virtually in debt free status until 2010. Although the company borrowed W24.3bn through issuance of BWs and EB in 1H11 to fund the acquisition of Otak, it will be able to maintain its net cash position. BWs and EB were issued at an interest rate of 3.0% and interest expense burdens will not be significant. (Page 8)

✓ Outstanding profitability among peer group companies

The company had been the most profitable among domestic and overseas peers in terms of both operating margin and ROE until 2010. Its profitability should fall temporarily below the industry average in 2011 due to the Libya crisis. However, we expect the company to regain the highest profitability in the industry in 2012F and the shares are overly undervalued trading at 2012F PER of a mere 3.5X. (Page 11)

Section 1: Company at a glance

Leading construction management company in Korea

Established as a joint venture with Parsons Corp. of US

Hanmi Global was the first CM firm in Korea, established as a joint venture in 1996 between Parsons Corp., Seo Young Engineering (unlisted) and the current chairman, Jong Hoon Kim. While Parsons and Seo Young had the same stake of 40% each, foreign employees from Parsons accounted for more than 40% of total staff and Parsons played a leading role in setting up a CM business structure for the company at the early development stage.

No. 1 in Korea and 18th largest outside US

The company has built up its reputation as an industry leader by successfully performing CM of major landmark buildings in Seoul, including the World Cup Main Stadium, the I-Park in Samsung Dong, the Sharp Star City and Jamsil Lotte World II. Parsons withdrew its stake in 2006 after Seo Young. Nevertheless, the company has been able to maintain its leadership position in the domestic CM market and listed among top 20 non-US CM firms in Engineering News Record (ENR) ranking since 2006.

Table 1. CM contract by company in Korea (2010)

Rank	Company	CM Contract (Wbn)
1	Hanmi Global	38.2
2	Heerim	36.8
3	Samwoo	24.8
4	Kunwon Engineering	17.4
5	Jeonin CM	16.1
6	Lotte Construction	13.4
7	ITM	12.9
8	Parsons Brinckerhoff Korea	10.6
9	Sunjin Engineering	9.9
10	Topec Engineering	9.5
	Other 53companies	72.9

Source: Korea Construction Management Association

Table 2. ENR's non-US CM/PM fee ranking (2010)

Rank	Company	CM/PM Fee (US$m)
1	Hochtief AG	1,005
2	Balfour Beatt	886
3	Lend Lease Group	863
4	Leighton Holdings	829
5	Dar Al-Handasah	486
6	China Power Eng. Consulting	383
7	Atkins	354
8	Turner & Townsend	317
9	Hatch Group	260
10	Arcadis NV.	258
18	**Hanmi Global**	**88**

Source: Engineering News Record

Received the Benghazi new town CM order from Libya in 2008 thanks to high ENR ranking

ENR ranking is not only industry data, but also used as an important reference for selection of CM firms by owners. In overseas construction markets where CM contracts are common, while CM firms receive orders through their own marketing, owners also invite selected CM firms to bidding after reviewing competitiveness of each CM firm listed highly in ENR ranking (at least above 50th). Indeed, Hanmi Global was able to receive W69.9bn Benghazi new town CM order in 2008, the single largest order in the company history, as the Housing & Infrastructure Board (HIB) of Libya approached Hanmi Global.

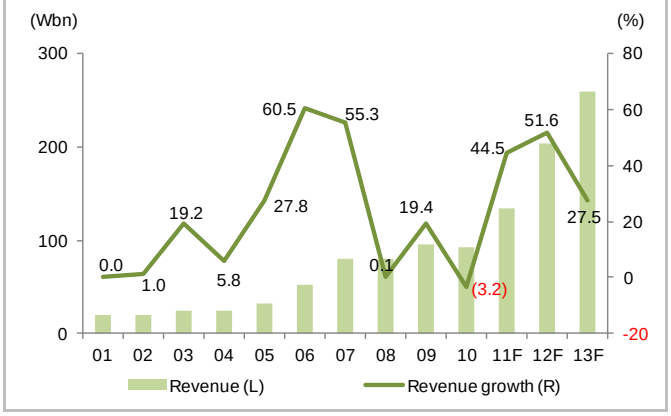
Agency CM is more profitable than CM at Risk

The Agency CM had accounted for around 80% of the company's total revenue until 2010. The Agency CM is fee based consulting service. In a CM at Risk contract, the CM firm acts as a consultant to the owner in the development and design phases, but acts as a general contractor during the construction phase. The CM firm recognizes construction costs as revenue in a CM at Risk arrangement while incurring additional costs. As such, profit margins are lower than those of the Agency CM. According to the company, operating margins of the Agency CM had been around 11-12% until 2010 compared to 4-5% of CM at Risk. The company's operating margin fluctuated within a range of 10-11% during 2007 and 2010 along with changes in revenue mix between the Agency CM and CM at Risk.

Interruption of the Libya construction project is a major hit to profitability in 2011

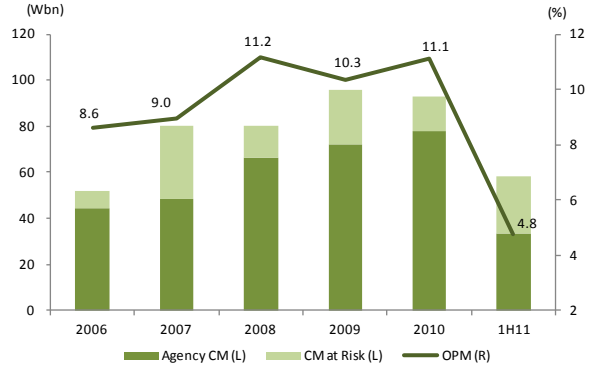
However, the company's operating margin fell sharply to below 5% in 1H11. The portion of CM at Risk in total revenue increased to 43% from 16% in 2010. However, the revenue mix change alone does not fully account for the profit margin contraction as there were no major margin declines on both Agency CM and CM at risk revenues according to the company. The company has explained that the interruption of the construction project in Libya was another major hit to profit margin.

Chart 1. Revenue and growth trend



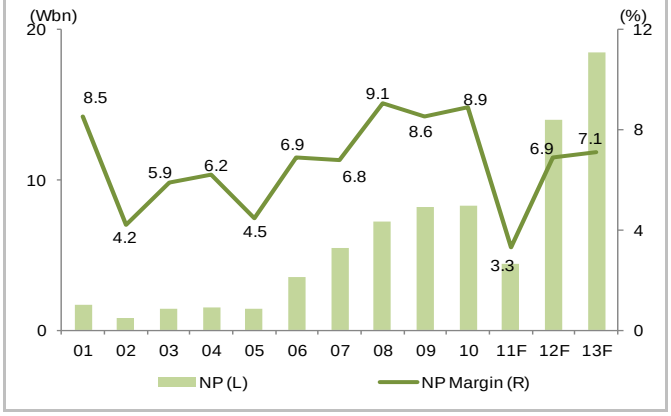
Source: Company data and Leading Research Center

Chart 2. Revenue mix and OPM trend



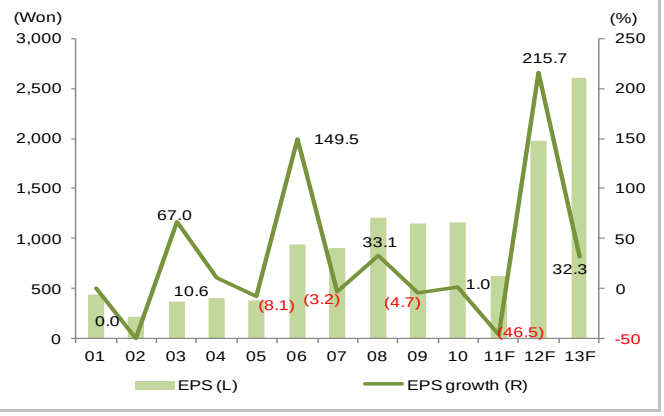
Source: Company data

Chart 3. Net profit and NP margin trend



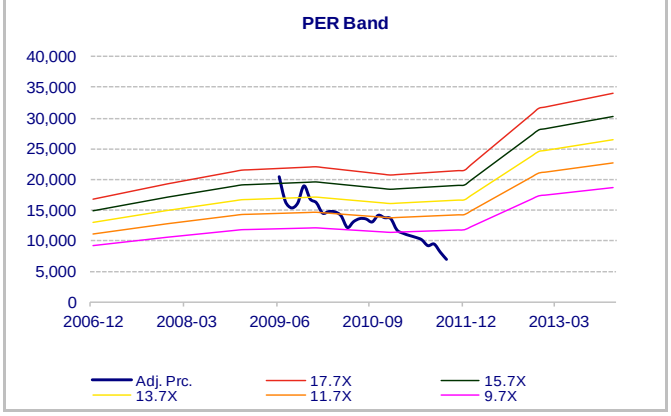
Source: Company data and Leading Research Center

Chart 4. EPS and EPS growth



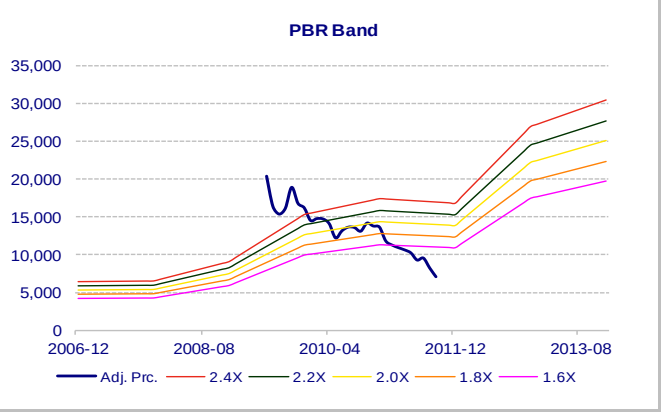
Source: Company data and Leading Research Center

Chart 5. PER Band



Source: FnGuide and Leading Research Center

Chart 6. PBR Band



Source: FnGuide and Leading Research Center

Section 2: Is the company a value creator?

ROE to recover to 24% in 2012F from 2011 bottom

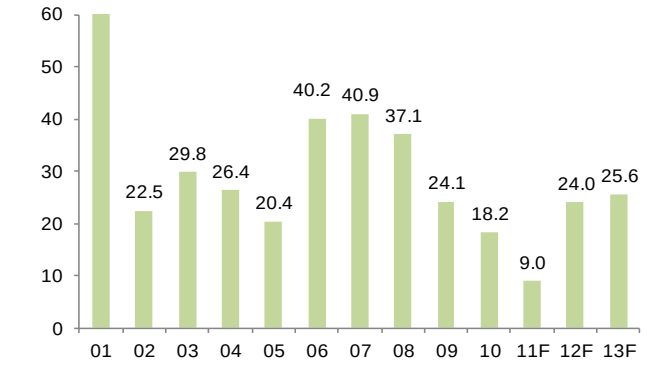
ROE to decline to 9.0% in 2011 due to the Libya crisis

ROE fell to 18.2% in 2010 from 37-41% during 2006 and 2008 as equity base almost doubled after the IPO in 2009 and earnings growth had slowed down. ROE should fall further to 9.0% in 2011E given that net income is expected to decline more than 40% yoy mainly due to the Libya crisis.

ROE to recover to the industry's highest level of 24% in 2012F

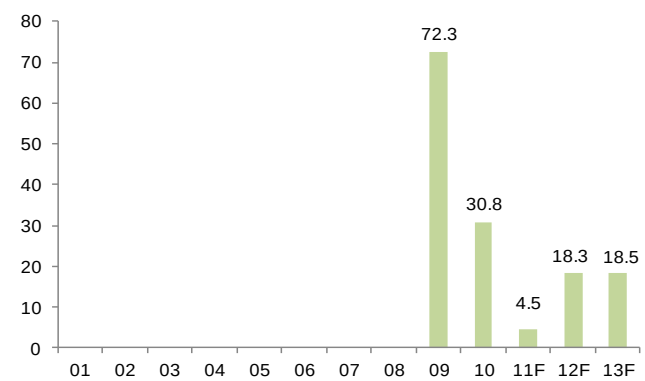
However, we estimate ROE will recover to 24% in 2012F as net income will more than triple in 2012F benefiting from continuous revenue growth and the absence of write off on the Libya project. Although ROE continued to decline during 2009 and 2010, the company was still more than twice as profitable as domestic and global peer group companies and will be able to produce the industry high ROE again in 2012F.

Chart 7. ROE (%)



Source: Company data and Leading Research Center

Chart 8. ROIC less WACC (%)



Source: Company data and Leading Research Center

ROIC also to recover to 26% in 2012F

ROIC also should fall below 11% in 2011 to a slightly higher level than WACC from 39.3% in 2010 as the company issued W24.3bn in BWs and EB in 1H11 amid earnings decline. However, ROIC also should recover to 25.5% in 2012F as the company's profitability will rise back up to a normal level.

Section 3: Free cashflow generation and dividend policy

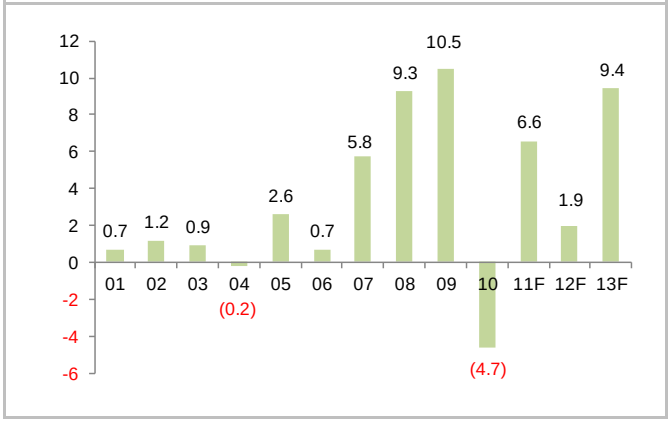
Negative free cashflow in 2010 due to temporary increase in receivables

Hanmi Global had consistently produced positive free cashflow until 2009. The company recorded negative free cashflow of W4.7bn in 2010 as year-end book closing simply coincided with temporary increases in receivables. In addition, receivable increases were mostly on services provided to government agencies that had virtually no default and collection risks.

Free cashflow of W6.6bn in 2011 and more than W9.0 bn in 2013F

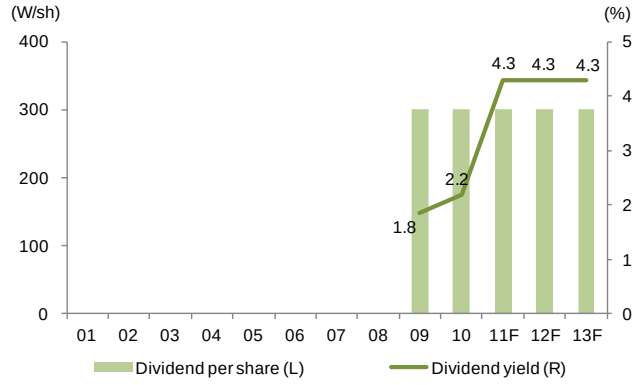
Despite the discontinued Libya construction project, there was no additional working capital burden for the company in 1H11 as all government related receivables were collected and increases in advanced receipt from order growth. The company estimates that its receivable/revenue ratio will fall back to 13-18% levels in 2011 from 30% in 2010. Even assuming a 20% receivable/revenue ratio, we estimate the company will be able to generate free cashflow of W6.6bn in 2011 and more than W9bn in 2013F.

Chart 9. Free cashflow trend (Wbn)



Source: Company data and Leading Research Center

Chart 10. Dividend per share and yield trend



Source: Company data and Leading Research Center

Relatively high dividend yield of 4.3%

We believe the company will be able to maintain the same dividend of W300 per share in 2011 as 2010 since it funded the entire capital requirement for the acquisition of Otak by issuing BWs and EB and therefore still has enough cash holdings. The dividend yield is 4.3% at the current share price, relatively high compared to other Korean companies. Given the company's internal payout ratio guideline of 20-25% and expected earnings decline in 2011, the company may cut per share dividend to W150 in 2011. However, given that earnings decline in 2011 will be temporary, the company has indicated that it is likely to pay the same dividend in 2011 as 2010.

Table 3. Dividend trend

(Wbn)	01	02	03	04	05	06	07	08	09	10	11E	12F	13F
Cash from operation	1.1	1.6	1.5	0.2	3.0	1.9	6.1	10.0	11.2	(3.9)	6.8	2.1	9.5
Capital expenditure	0.4	0.5	0.5	0.4	0.4	1.2	0.4	0.7	0.7	0.7	0.2	0.2	0.1
Free cashflow	0.7	1.2	0.9	(0.2)	2.6	0.7	5.8	9.3	10.5	(4.7)	6.6	1.9	9.4
Dividend paid	0.4	0.3	0.3	0.4	0.4	0.4	0.8	0.8	2.1	2.1	2.1	2.1	2.1
Dividend per share (W/sh)									300	300	300	300	300
Dividend yield (%)									1.8	2.2	4.3	4.3	4.3

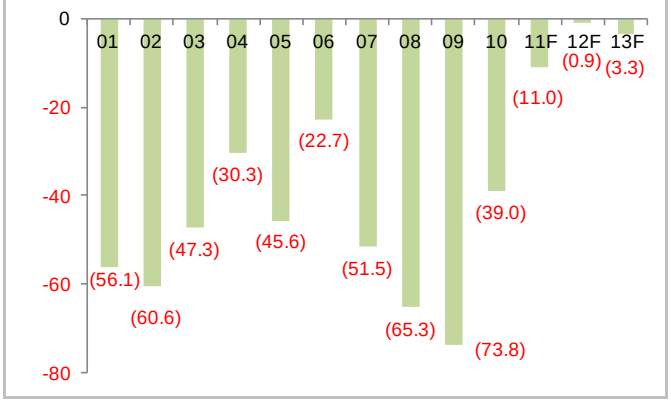
Note: 1. Dividend yield based on the closing price of the year
2. Pre IPO per share dividends are omitted due to inconsistency with post IPO dividends stemming from reductions in face value per share
Source: Company data and Leading Research Center

Section 4: Are the debt and interest burden manageable?

Net cash position despite W24.3bn borrowing in 1H11

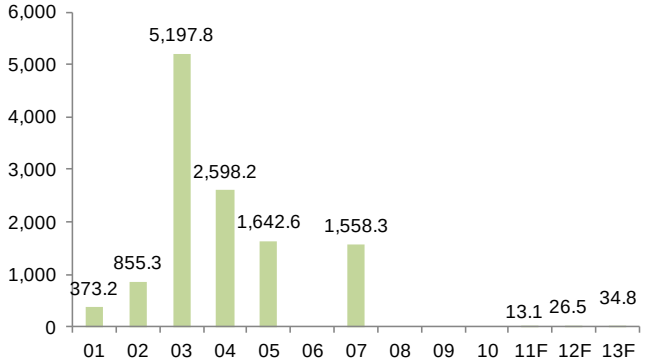
Hanmi Global had been virtually in debt free status until 2010 with its cash holdings amounting to as much as W33.3bn in 2009. Although the company borrowed W24.3bn through issuance of BWs and EB in 1H11, it will be able to maintain its net cash position. BWs and EB were issued at an interest rate of 3.0% and interest expense burdens will not be significant relative to operating profit.

Chart 11. Net debt/equity ratio (%)



Source: Company data and Leading Research Center

Chart 12. Interest coverage (X)



Source: Company data and Leading Research Center

Table 4. Interest bearing debt and interest coverage trend

(Wbn)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011F	2012F	2013F
Interest bearing debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	24.3	24.3
Cash & equivalents	1.9	2.5	2.5	2.0	3.4	2.3	8.5	14.9	33.3	17.8	30.1	24.9	27.0
Net int bearing debt	(1.9)	(2.5)	(2.5)	(2.0)	(3.4)	(2.3)	(8.5)	(14.9)	(33.3)	(17.8)	(5.8)	(0.6)	(2.7)
Net int bear debt/eq (%)	(56.1)	(60.6)	(47.3)	(30.3)	(45.6)	(22.7)	(51.5)	(65.3)	(73.8)	(39.0)	(11.0)	(0.9)	(3.3)
Interest expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.7	0.7
Interest coverage (X)	373.2	855.3	5,198	2,598	1,643		1,558				13.1	26.5	34.8

Note: Abnormally high interest coverage ratios (ex. 1m times) are omitted
Source: Company data and Leading Research Center

Section 5: Asking for money with share issue, CB & BW?

W19.8bn in BW - no major risk for the share price

Raised W17.4bn through share issues including the IPO in 2009

Hanmi Global has experienced no cash shortage problem since its inception consistently generating free cashflow. The company raised W17.4bn through stock issuance including capital increase in 2007 and the IPO in 2009.

Table 5. Capital raised through stock issuance

(Wbn)	01	02	03	04	05	06	07	08	09	10	Incr. during '01~10
Paid-in capital	1.0	1.0	1.0	1.0	1.0	1.0	3.0	3.0	3.6	3.6	2.6
Paid-in cap in excess of par	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.8	14.8	14.8
Capital raised thru stock issue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.0**	**0.0**	**15.4**	**0.0**	**17.4**

Source: Company data

Financed W24.3bn by issuing BWs and EB in 1H11

The company issued W19.8bn in two BWs and W4.5bn in EB in 1H11. Among the total W24.3bn, the company already invested W19bn in Otak (W14bn for share purchase and W5bn as a long term loan) and plans to use the remaining W5.3bn to acquire an engineering company specialized in environment friendly construction sometime this year or next year.

BW exercise price is almost 60% higher than the current share price – no major concern in the near future

Excluding EB exchangeable with treasury shares, it is possible that 1.8m new shares or 25.4% of the outstanding shares of 7.1m will be issued after March 2012 if W19.8bn BW is exercised. However, the exercise price of W11,000 is almost 60% higher than the current share price of W6,990 and therefore the potential overhang does not represent a significant risk to the share price in the near future.

Table 6. Outstanding BWs and EB and number of shares exercisable

Type	Date issued	Due date	Face value (Wbn)	Exercise period	Exercise price/sh (Won)	No. shares exercisable
Detachable BW (non-secured)	2011.03.29	2016.03.29	7.3	2012.03.29~2016.03.29	11,000	666,722
Detachable BW (non-secured)	2011.04.08	2016.04.08	12.5	2012.04.08~2016.03.25	11,000	1,136,363
EB (non-secured)	2011.04.08	2016.04.08	4.5	2011.10.08~2016.03.08	11,000	409,090
Total			**24.3**			**2,212,175**

Source: Company data

Shares trading at 2012F PER of 4.4X even assuming full EPS dilution from BWs

Assuming that all W19.8bn in BWs are exercised in 2012, 2011F EPS will drop to W1,572/sh from W1,972/sh and 2012F PER valuation will deteriorate from 3.5X to 4.4X. However, the fully diluted PER of 4.4X is still way below the market average and peer group companies. We believe it is safe to say that the potential overhang should not be a negative factor for the company's share price.

Table 7. Changes in EPS and PER from full dilution

	2011F	2012F	2013F
No. of outstanding shares	7,100	7,100	7,100
No. shares convertible		1,803	
Total possible No. shares	7,100	8,903	8,903
EPS	624	1,972	2,608
PER	11.2	3.5	2.7
Fully diluted EPS	624	1,572	2,080
Fully diluted PER	11.2	4.4	3.4

Source: Company data and Leading Research Center

Section 6: What is the management philosophy?

CEO is a skyscraper construction expert

Chairman Jong Hoon Kim is the founder of the company and the largest share holder with a stake of 28.1%. He introduced the CM system in Korea by taking a critical role in the formation of a joint venture with Parsons and Seo Young Engineering and has been an opinion leader in the construction industry. He is a skyscraper construction expert and was the chief supervisor of the construction of Petronas Tower (the highest skyscraper in the world at the time) in Malaysia when he was employed at Samsung Construction & Trading (000830 KS).

Management priority on providing top-notch CM services

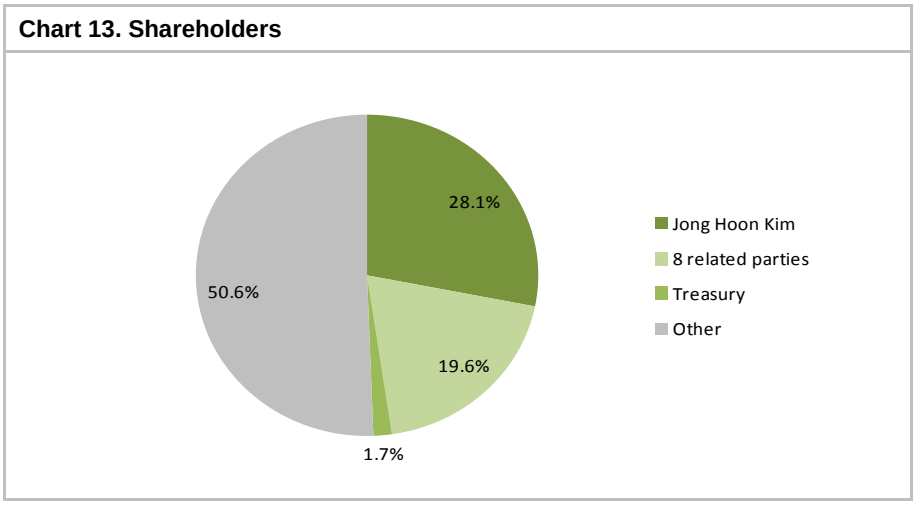
Mr. Kim's management priority is providing top-notch CM services to clients by securing highly trained professional staff and continuously developing CM techniques. The W19bn investment in the acquisition of Otak was to fulfill his management commitment to develop CM techniques as he believed the acquisition of Otak would strengthen Hanmi Global's competitiveness in planning and designing techniques. Mr. Kim emphasizes welfare of employees from a personnel management perspective. He also established a community service foundation, called 'warm accompany', by donating his personal wealth. All employees at Hanmi Global donate 1% of their monthly salary to charity institutions and new employees have to take an oath of community service.

Table 8. CEO Profile

Mr. Jong Hoon Kim	
Period	**Professional experience**
2009 ~ Present	Chairman, Hanmi Global
1996	President, Hanmi Global
1984	Samsung Construction & Trading
1979	Hanyang Co.
1977	Halla Engineering & Construction
1973	Hansem Architects Group
	Education
2001	Master of Business Administration, Sogang University
1973	BS in Architecture, Seoul National University

Source: Company data

Chart 13. Shareholders



Source: Company data

Section 7: Peer group comparison

Only two CM firms are listed in Korea, Hanmi Global and Heerim

Among selected companies in the table below, Heerim Architects & Planners Co. is the second largest CM company in Korea. Although Heerim is not a pure CM company like Hanmi Global with its operational focus on architecture, Heerim is the only CM related company listed on the stock exchange and therefore comparison with Heerim may be used as a reference to some extent. Hill International of the US is a global construction consulting firm and a role model firm for Hanmi Global in the long run. Other foreign companies are also top ranked CM/PM firms in ENR rankings, but have diverse business portfolio such as real estate development, finance, mining and telecommunication with CM/PM accounting for only 5-18% of total revenues.

Overly undervalued relative to its peers

Hanmi Global had been the most profitable among domestic and global peers in terms of both operating margin and ROE until 2010. While the company's profitability should fall temporarily below the industry average in 2011 due to the Libya crisis, we expect the company to regain the highest profitability in the industry in 2012. However, it appears that investors are paying attention only to the temporary profit decline in 2011 and Hanmi Global is overly undervalued relative to its peers trading at 2012F PER of a mere 3.5X.

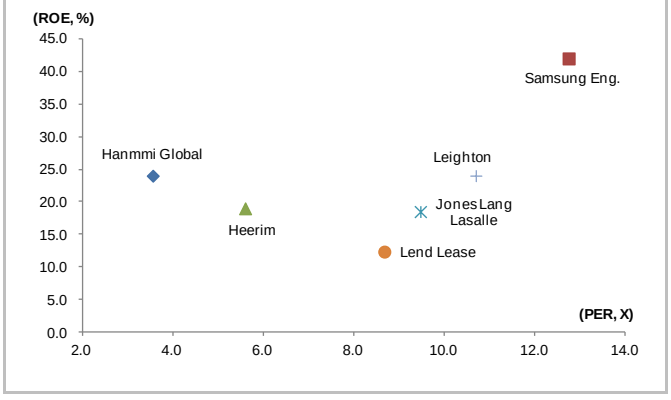
Table 9. Peer group comparison

Company	Code	Country	Mkt Cap (US$m)	Sales (US$m)				OPM (%)			
				09	10	11E	12E	09	10	11E	12E
Hanmi Global	053690 KS	Korea	42.1	75.6	80.3	113.9	172.7	10.3	11.1	3.9	9.1
Heerim	037440 KQ	Korea	78.3	124.4	138.8	159.8	188.0	8.5	5.0	7.6	10.2
Samsung Engineering	028050 KS	Korea	7,904.3	2,735.8	4,152.2	7,185.3	9,546.3	9.1	9.0	8.0	7.7
Hill International	HIL US	US	191.3	421.8	451.8	429.0	880.3	4.3	3.8	0.2	8.8
Jones Lang Lasalle	JLL US	US	2,419.3	2,480.7	2,925.6	3,534.9	3,987.0	6.6	9.1	8.6	9.8
Lend Lease	LLC AU	Australia	3,891.6	9,139.4	8,712.5	11,092.9	12,380.2	0.7	1.1	5.7	5.6
Leighton	LEI AU	Australia	6,130.0	12,845.3	15,405.8	19,122.7	19,021.6	5.6	1.3	(0.4)	4.9

Company	PER (X)				EV/EBITDA (X)				P/B (X)				ROE (%)			
	09	10	11E	12E	09	10	11E	12E	09	10	11E	12E	09	10	11E	12E
Hanmi Global	13.1	11.3	11.2	3.5	8.5	7.1	7.5	2.6	2.5	2.0	0.9	0.8	25.8	19.5	9.0	24.0
Heerim	16.0	20.4	8.0	5.6	9.2	11.5	4.1	1.9	2.5	1.8	1.1	1.0	15.8	8.8	14.6	19.0
Samsung Engineering	15.8	19.5	16.6	12.7	9.2	13.8	11.7	8.7	5.3	7.1	6.2	4.5	39.9	44.3	45.2	42.0
Hill International	12.7	18.0		4.8	9.6	10.7			1.6	1.5			13.4	9.0	12.0	
Jones Lang Lasalle	33.4	22.0	11.9	9.5	9.1	9.4			1.8	2.3			5.7	11.4	11.8	18.5
Lend Lease	10.1	9.8	9.1	8.7	34.2	38.1	7.0	6.3	1.2	1.3	1.0	1.0	8.0	10.4	12.1	12.4
Leighton	14.1	15.7		10.7			7.8	3.6	3.4	3.1	2.2	2.3	25.0	(17.0)	(4.9)	24.0

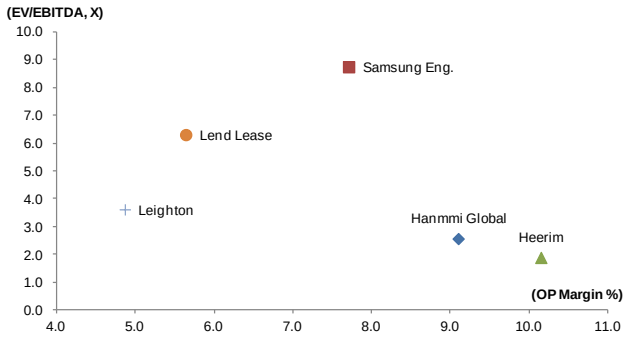
Source: Bloomberg and Leading Research Center

Chart 14. A Peer Group PER vs. ROE (2012)



Source: Bloomberg and Leading Research Center

Chart 15. A Peer Group EV/EBITDA vs. OP margin (2012)



Source: Bloomberg and Leading Research Center

Section 8: FX exposure and sensitivity

Insignificant FX risk

While overseas revenue accounted for 24% (US$19.5m) of total revenue in 2010, the overseas portion in total revenue declined significantly to 10% in 1H11 reflecting the interruption of Libya project. The company hedged around 70% (US$13m) of overseas revenue through currency forward contracts in 2010. Subtracting dollar expense, less than 10% of overseas revenue was exposed to FX rate changes.

A 5% change in KRW/US$ rate to change EPS only 0.8%

We estimate the export portion to recover to 14% in 2012F and 16% in 2013F from the low of 7% in 2011. For our sensitivity analysis, we assumed the same 70% hedge of overseas revenue as in 2010 and therefore only 10% of overseas revenue (or 1-2% of total revenue) being exposed to FX rate changes. Based on these, a 5% change in average KRW/US$ exchange rate will increase/decrease the company's EPS by 0.8%.

Table 10. 2011E FX sensitivity

% chg in KRW/US$ rate	-5%	-1%	Base	1%	5%
Year-end KRW/US$	1,020	1,063	1,074	1,085	1,128
Year-avg KRW/US$	1,028	1,071	1,082	1,093	1,136
Revenue (Wbn)	133.7	134.1	134.2	134.3	134.7
Operating profit (Wbn)	4.8	5.2	5.2	5.3	5.6
NP (Wbn)	4.4	4.4	4.4	4.4	4.5
EPS (W)	619	623	624	626	630
P/E (X)	11.5	11.4	11.4	11.4	11.3
Revenue change (%)	(0.4)	(0.1)	0.0	0.1	0.4
OP change (%)	(7.5)	(1.5)	0.0	1.5	7.5
NP change (%)	(0.8)	(0.2)	0.0	0.2	0.8
EPS change (%)	(0.8)	(0.2)	0.0	0.2	0.8

Source: Leading Research Center

Table 11. 2012F FX sensitivity

% chg in KRW/US$ rate	-5%	-1%	Base	1%	5%
Year-end KRW/US$	960	1,001	1,011	1,021	1,062
Year-avg KRW/US$	979	1,020	1,030	1,040	1,082
Revenue (Wbn)	202.1	203.2	203.5	203.8	204.9
Operating profit (Wbn)	17.4	18.3	18.5	18.7	19.7
NP (Wbn)	13.9	14.0	14.0	14.0	14.1
EPS (W)	1,956	1,968	1,972	1,975	1,987
P/E (X)	3.6	3.6	3.6	3.6	3.6
Revenue change (%)	(0.7)	(0.1)	0.0	0.1	0.7
OP change (%)	(6.2)	(1.2)	0.0	1.2	6.2
NP change (%)	(0.8)	(0.2)	0.0	0.2	0.8
EPS change (%)	(0.8)	(0.2)	0.0	0.2	0.8

Source: Leading Research Center

Table 12. 2013F FX sensitivity

% chg in KRW/US$ rate	-5%	-1%	Base	1%	5%
Year-end KRW/US$	1,014	1,056	1,067	1,078	1,120
Year-avg KRW/US$	1,002	1,044	1,055	1,066	1,108
Revenue (Wbn)	257.4	259.1	259.5	259.9	261.5
Operating profit (Wbn)	22.7	24.0	24.4	24.7	26.0
NP (Wbn)	18.4	18.5	18.5	18.5	18.7
EPS (W)	2,586	2,604	2,608	2,612	2,630
P/E (X)	2.8	2.7	2.7	2.7	2.7
Revenue change (%)	(0.8)	(0.2)	0.0	0.2	0.8
OP change (%)	(6.7)	(1.3)	0.0	1.3	6.7
NP change (%)	(0.8)	(0.2)	0.0	0.2	0.8
EPS change (%)	(0.8)	(0.2)	0.0	0.2	0.8

Source: Leading Research Center

Section 9: Operations overview

Types of construction management

CM acts in the owner's interest

Construction management (CM) is the overall planning and control of a construction project from inception to completion aimed at meeting an owner's requirements in order to produce a functionally and financially viable project within authorized budget and to the required quality standards. While construction supervision (CS) is only focused on the construction phase, CM involves a diverse array of services applied to the planning, design, construction and post construction phases.

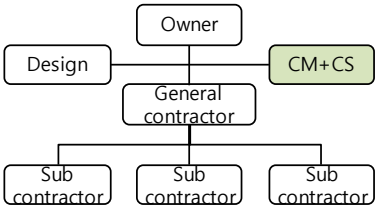
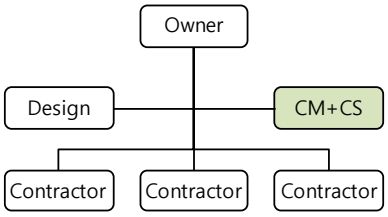
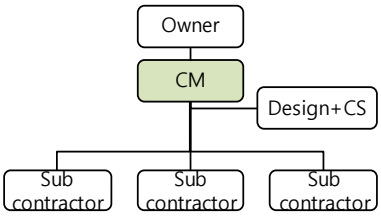
Agency CM and CM at Risk depending on the role of a general contractor

Typically there are two CM contracts; Agency CM and CM at Risk. The Agency CM is a fee-based service in which the CM firm is responsibly exclusively to the owner and acts in the owner's interests at every stage of the project. CM at Risk entails a more commitment by the CM firm to act as a general contractor to the owner in addition to acting as a consultant. The CM firm commits to deliver the project within Guaranteed Maximum Price (GMP) in most CM at Risk arrangements which would be a financial hit to the CM firm and therefore the CM firm has to protect itself by managing construction costs to not exceed the GMP.

Modified Agency CM contracts in Korea due to lack of understanding of CM and the presence of general contractors

The Agency CM is the standard fee-based CM contract in overseas markets where a construction project is awarded to several specialized construction companies. However, a construction project is awarded to a single general contractor in Korea and it is difficult for the CM firm to involve in a construction project as actively as in the Agency CM, due to the presence of a general contractor. As such, a modified Agency CM contract is used in Korea with the CM firm providing limited consulting services. The owner has to carry out all administrative work and cost savings effects are smaller in the modified Agency CM compared to the standard arrangement. However, the modified Agency CM contracts prevail in Korea due to lack of understanding of cost savings benefits of CM and the industry practice of turn-key base order to a general contractor.

Chart 16. CM contract type

Type	Modified Agency CM	Standard	
		Agency CM	CM at Risk
			
Function	Consulting service to the owner	Managing every stage of the project	Consulting service + general contractor
Pros	Effective management of the entire construction procedure Savings of CS fee	Savings of gen. contractor's O&P Savings of CS fee Value engineering & buying power	Cost reduction through improved bidding Cost effective adjustment to the project Construction costs locked in a GMP
Cons	Limited cost savings due to the presence of a gen. contractor Difficult to make adjustment to the project	Difficult to find competent CM firms Ambiguous responsibility between contractors	Administrative work for the owner
Cost break-down	Direct construction cost 75%	75%	75%
	Indirect construction cost 8%	4%	4%
	Construction cost 83%	79%	79%
	Gen. contractor's overhead & profit 8%		5%
	Construction supervision 4%	6%	2%
	CM fee		6%
	Total 95%	85%	92%

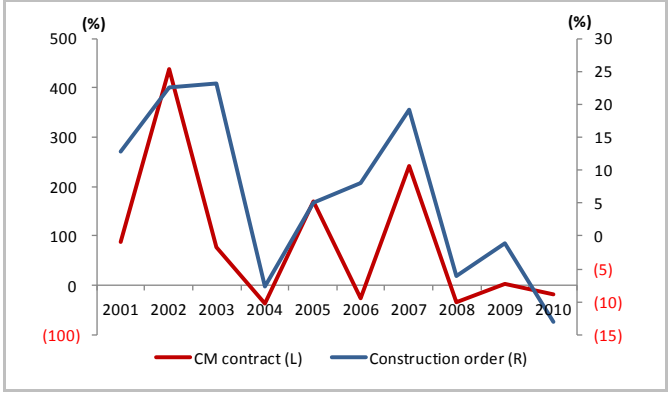
Source: Company data

Operations outlook

Sluggish CM market over the past three years along with falling construction orders

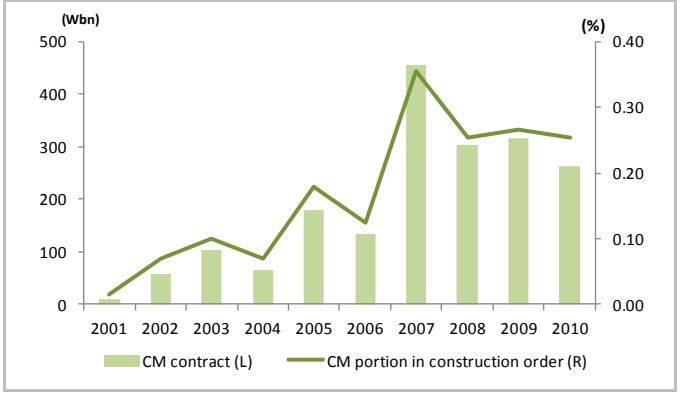
The CM market grew quite rapidly at the early development stage with CM contracts increasing 80-fold during 2000 and 2007 from W5.7bn to W454.4bn. However, the CM market size shrank more than 40% during 2008 and 2010 in line with declines in domestic construction orders. Given CM's cost efficiency and low penetration ratio of below 0.3% (1.5% in the US) in the overall construction market, there still existed a positive view until 2009 that the global financial crisis caused a temporary slump and the CM market would resume its growth momentum even if construction orders remain sluggish. It appears that such a positive view has faded away as the CM market fell again in 2010 even at a faster rate than construction orders.

Chart 17. Domestic construction order and CM contract



Source: Korea CM Association, Statistics Korea

Chart 18. CM contract as a % of construction order

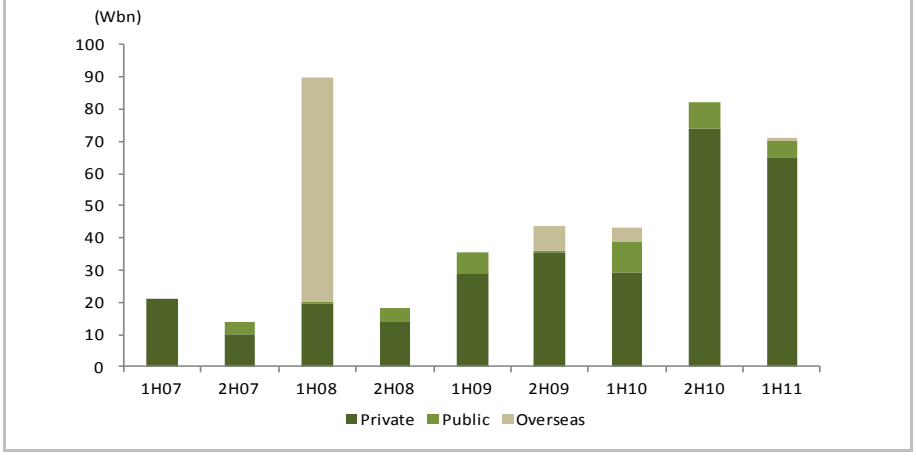


Source: Korea CM Association, Statistics Korea

Second phase growth momentum beginning in 2011 from 2010 bottom

Business environment for Hanmi Global does not look positive even in 2011 as domestic construction orders have continued to decline and the construction project in Libya has been interrupted since February. However, it would be misleading if investors pay attention only to sluggish construction orders and the Libya crisis. The CM market has been on a recovery trend and Hanmi Global has enjoyed explosive order growth by fully capitalizing its competitiveness. We believe the company will experience the second phase growth momentum over the next 2-3 years as mid 2000s.

Chart 19. Hanmi Global's order trend



Source: Company data

Active development of a new demand base has led to explosive order growth

Hanmi Global's CM orders more than doubled to W82.5bn in 2H10 from W38.9bn in 1H10 and remained high at above W70bn in 1H11. The company has explained that CM orders are increasing rapidly despite the sluggish construction market because construction owners' perception of CM has improved and more importantly the company has actively developed a new demand base.

Entered the small and mid-sized construction market

The company has focused on the small to mid-sized construction segment including the so called 'urban style living quarters' (studio apartments) to develop a new demand base. While the long term growth potential of studio apartment construction is limited, studio apartments have been popular recently among low income households. Studio apartment construction has provided small-sized construction companies with a niche market in coping with the recession in the overall construction market as big general contractors do not participate due to small construction budget (around W10bn on average). Hanmi Global believed that it would be very competitive in the studio apartment construction segment with its reputation and track record of CM on landmark buildings. The company entered the market in 2010 with its own brand name "Maestro' acting as a general contractor (CM at Risk type).

Strong growth in CM at Risk orders

The first Maestro project was very successful with a subscription ratio of 17 to 1 and the company plans to build two more Maestro apartments. Most small and medium sized construction projects including studio apartments are CM at Risk contracts and therefore CM at Risk contracts accounted for 66% (W92.4bn) of the company's total CM orders (W139.1bn) received during 2H10 and 1H11. Most CM at Risk projects are completed within a year.

CM orders of W150-W200bn expected from the Yongsan business district development project

While CM at Risk contracts have led the company's order growth so far, Agency CM orders are expected to recover beginning 2012. Construction of the Yongsan business district development project will be finally commenced in November this year, four years after the government's initial announcement, and CM orders are expected to come through beginning late this year or next year. The company estimates that total CM orders from the Yongsan development plan would be around W150-W200bn and it will be able to receive orders of W50bn at least given its reputation and competitiveness.

CM orders from government agencies to increase thanks to policy changes

Amendment to construction laws will provide the company with another long term growth momentum. The government has announced several construction related policies as a part of the 3rd phase development plan for the construction industry (2008-2012). The enforcement ordinance of the Construction Technology Management Act amended in 2010 was one of the most important policy changes for CM. The government specified in the amended enforcement ordinance that all government organizations are obligated to consider the application of CM to their construction projects and prove validity of not using CM if they decide not to use CM. In addition, government organizations will be held responsible for potential problems in the construction process after they proceed construction projects without using CM. The amended enforcement ordinance applies to the Agency CM.

CM firms to be allowed to participate in public construction work as a general contractor

In addition, the government plans to amend the Construction Industry Framework Act in February 2012 to apply CM at Risk to public construction projects. There has been no public construction work under CM at Risk contract. After the amendment, CM firms will be allowed to participate as a general contractor in public construction projects even though they will have to compete with existing general contractors.

Public CM orders to come through beginning 2013

Although the enforcement ordinance amended in 2010 has been in effect for more than a year, CM orders from government organizations have still remained at low levels relative to private orders. This is because most government construction budget is tied up with the Four Rivers Restoration Project. While the Four Rivers Project will be completed in 2012, Hanmi Global conservatively estimates that public CM orders will come through beginning in 2013 as it will take some additional time for government officials to understand the concept of CM and make final decisions.

Development of overseas markets is the highest management priority

The management of Hanmi Global has put its highest priority on development of overseas markets for the long term growth of the company. The management plans to generate 50% of total revenue from overseas markets by as early as 2015. The company entered overseas markets receiving CM orders for Samsung Corning's China plant and Venetian Casino in Macau. After the Libya residential complex order in 2008, overseas revenue rose sharply to account for 24% of total revenue in 2010 from 2% in 2007, but fell to 10% of total revenue in 1H11 due to the interruption of Libya construction.

Resumption of the Libya construction project will be a major breakthrough

The Libya crisis has been the biggest negative factor for both the company's earnings and share price. While the company expects to resume the Libya project late this year or early next year, we believe the Libya project resumption will be a major breakthrough for the company. The company started recognizing revenue on the Libya project beginning 2009, but only 33% (W23.1bn) of the total order amount has been realized. In addition to revenue realization of the remaining order backlog of W46.7bn, it is likely that the company will be able to receive additional orders from Libya, twice as big as the first order received in 2008, once the Libya project is resumed. The Libya government originally planned to build two more residential complex and place orders this year if there were no crisis.

Table 13. Hanmi Global's overseas order backlogs as of June 30, 2011

Project	Contract time	Owner	Order (Wbn)	Revenue (wbn)	Backlog (Wbn)
Libya Housing & Infrastructure Project	March 2008	HIB	69.9	23.1	46.7
MMHE yard optimization	July 2009	Malaysia Marine & Heavy Eng.	7.3	1.7	5.5
Locknlock plant in Vietnam	August 2009	Locknlock	0.4	0.3	0.0
Oil well monitoring facilities in Kuwait	April 2010	Samsung SDS	4.2	1.7	2.5
INZI Display Mexico plant	January 2011	INZI Display	0.3	0.2	0.0
Kiswire research center in Malaysia	March 2011	Kiswire	0.4	0.1	0.3
Korean Red Ginseng plant in China	June 2011	Korean Red Ginseng	0.2		0.2

Source: Company data

Acquisition of Otak is a part of overseas expansion plan

As a part of its overseas expansion plan, the company acquired a 71% stake in Otak Inc. of the US for W14bn providing additional long term loan of W5bn. Otak is an engineering firm specialized in urban planning/design, SOC design and water management engineering. Otak operates 10 branches in US and has also secured a diverse client base in Middle East countries such as Saudi Arabia, UAE, Kuwait and Iraq. Otak's major design project record portfolio includes the North Bethany urban design, the RID residential/commercial complex, the Marina complex and the Bateen resort in Abu Dhabi.

Otak to provide Hanmi Global with various new business opportunities

Otak has built up a lot of engineering experience in Middle Eastern countries and many of its employees are Middle Eastern Americans. As such, Hanmi Global expects the acquisition of Otak to provide new business opportunities in developing countries in Middle East and North Africa where the construction market for new town and residential complex is growing rapidly. Given that Otak has strength in planning and design, Hanmi Global may be able to perform CM services jointly with Otak in both US and developing countries.

Earnings outlook

Profit decline in 2Q11 due to the Libya crisis

Hanmi Global enjoyed a strong revenue growth on 25% qoq and 49% yoy in 2Q11 as revenue increase in CM at Risk far more exceeded Agency CM revenue decline. However, operaitng profit fell more than 50% yoy due to receivable write off from the Libya project and the increasing revenue portion of low margin CM at Risk. The company explained that Libya related write off amounted to around W3bn in 1H11 compared to total operating profit of W2.8bn in 1H11.

Table 14. Quarterly results and outlook

(Wbn)	1Q11	2Q11	QoQ (%)	YoY (%)	2010	2011E	2012F	2013F
Revenue	25.9	32.3	*24.7*	*48.5*	92.8	134.2	203.5	259.5
Agency CM	17.4	16.0	*(8.0)*	*(17.9)*	78.0	67.0	103.3	135.2
CM at risk	8.5	16.3	*91.8*	*632.4*	14.9	67.2	100.2	124.3
Operating profit	1.5	1.3	*(10.6)*	*(52.5)*	10.3	5.2	18.5	24.4
Pretax profit	2.0	1.7	*(17.4)*	*(44.3)*	11.0	5.8	18.4	24.4
Net income	1.6	1.3	*(19.2)*	*(43.4)*	8.3	4.4	14.0	18.5
Revenue mix (%)								
Agency CM	67.2	49.6			84.0	49.9	50.8	52.1
CM at risk	32.8	50.4			16.0	50.1	49.2	47.9
Margin (%)								
Operating	5.7	4.1			11.1	3.9	9.1	9.4
Pretax	7.9	5.2			11.8	4.3	9.1	9.4
Net	6.1	3.9			8.9	3.3	6.9	7.1

Source: Company data and Leading Research Center

Revenue to increase 45% yoy in 2011, but operating profit to fall 50% yoy in 2011E

We estimate the company's revenue will increase 45% yoy to W134bn in 2011E thanks to strong growth in CM at Risk orders. We expect CM at Risk revenue to increase 3.5-fold yoy to W67.2bn in 2011E from W14.9bn in 2010. While the company expects the Libya construction to resume sometime late this year or early next year, we assumed no revenue from Libya unitl 2012 and therefore a similar Agency CM revenue in 2H11 to 1H11. Despite such a strong revenue growth, however, operating profit should still decline 50% yoy to W5.2bn due to additional W2bn write off on the Libya project in 2H11.

Revenue to rise 52% yoy to over W200bn in 2012F thanks to strong order growth

We estimate revenue growth will accelerate in 2012F by increasing 52% yoy to over W200bn to more than double from W92.8bn in 2010. Both Agency CM and CM at Risk revenues will increase strongly 54% yoy and 49% yoy, respectively, to over W100bn each in 2012F. The company recentlly received additional W14.6bn CM at Risk order for the construction of a research center from Sampio Co. (007540 KS) and expects to receive another W30bn CM at Risk order for the construction of a golf clubhouse soon. These new orders will be realized as revenue mostly in 2012. We estimate Agency CM revenue will increase fater than CM at Risk revenue in 2012 based on expected resumption of the Libya construction, start up of the construction of the Yongsan business district project and the ongoing relocation of government buildings to outside the Seoul metropolitan area.

Operating profit to more than triple yoy in 2012F in line with revenue growth and the absence of W5bn write off

Operating profit should more than triple to W18.5bn in 2012F in line with revenue growth and the absence of W5bn write off on the Libya project. We assumed revenue mix of Agency CM and CM at Risk at 51% and 49%, respectively. We estimate operating margin will recover significantly to 9.1% from 3.9% in 2011. However, 2012F operating margin will be still lower than 11.1% recorded in 2010 due to the increasing revenue portion of CM at Risk contracts.

Summary of financials

Income statement

(Wbn)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011F	2012F	2013F
Revenue	**19.8**	**20.0**	**23.8**	**25.2**	**32.2**	**51.6**	**80.2**	**80.3**	**95.9**	**92.8**	**134.2**	**203.5**	**259.5**
% chg yoy	N/A	1.0	19.2	5.8	27.8	60.5	55.3	0.1	19.4	(3.2)	44.5	51.6	27.5
COGS	10.9	11.2	15.3	16.0	21.9	35.7	59.9	55.2	69.0	64.4	106.2	149.4	189.2
Gross profit	**8.9**	**8.8**	**8.5**	**9.2**	**10.2**	**16.0**	**20.3**	**25.1**	**26.9**	**28.5**	**28.0**	**54.1**	**70.3**
GP margin (%)	45.0	44.0	35.6	36.6	31.8	30.9	25.3	31.3	28.0	30.7	20.9	26.6	27.1
SG&A	**7.0**	**7.8**	**6.9**	**7.5**	**8.4**	**11.5**	**13.1**	**16.1**	**17.0**	**18.1**	**22.8**	**35.6**	**45.9**
Operating income	**1.9**	**1.0**	**1.6**	**1.8**	**1.8**	**4.5**	**7.2**	**9.0**	**9.9**	**10.3**	**5.2**	**18.5**	**24.4**
OP margin (%)	9.8	4.8	6.8	7.0	5.7	8.6	9.0	11.2	10.3	11.1	3.9	9.1	9.4
Non-operating income	0.1	0.1	0.2	0.2	0.2	0.3	0.9	1.6	2.4	2.3	2.4	2.1	2.3
Interest income	0.1	0.1	0.1	0.1	0.2	0.2	0.4	0.8	1.4	1.2	1.3	0.8	1.0
FX related gains	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.1	0.1	0.1
Equity method gains	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.5	0.2	0.2	0.2	0.2
Non-operating expenses	0.1	0.0	0.1	0.1	0.3	0.1	0.3	0.6	1.5	1.6	1.8	2.2	2.3
Interest expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.7	0.7
FX related losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Equity method losses	0.0	0.0	0.0	0.0	0.3	0.1	0.0	0.2	0.4	0.1	0.1	0.1	0.1
Profit before tax	**2.0**	**1.0**	**1.7**	**1.8**	**1.7**	**4.6**	**7.8**	**10.0**	**10.9**	**11.0**	**5.8**	**18.4**	**24.4**
Tax	0.3	0.2	0.3	0.3	0.3	1.0	2.3	2.8	2.7	2.7	1.4	4.4	5.8
Tax rate (%)	15.5	18.4	15.8	14.7	17.2	21.6	30.1	27.5	24.5	24.4	24.0	24.0	24.0
Net income	**1.7**	**0.8**	**1.4**	**1.6**	**1.4**	**3.6**	**5.5**	**7.3**	**8.2**	**8.3**	**4.4**	**14.0**	**18.5**

Balance sheet

(Wbn)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011F	2012F	2013F
Cash & deposit	1.4	2.1	2.1	1.9	3.4	1.6	6.0	8.4	12.5	4.3	9.9	10.2	11.6
Marketable securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A/R	4.4	4.1	5.9	6.3	7.8	13.4	14.7	13.3	12.8	27.5	26.8	40.7	51.9
Other quick assets	0.3	0.4	0.2	0.2	0.3	2.0	1.3	2.6	3.1	3.7	5.0	6.0	8.5
Total quick assets	6.3	6.9	8.5	8.4	11.5	17.2	24.4	30.8	47.4	48.6	56.5	66.2	82.0
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	**6.3**	**6.9**	**8.5**	**8.4**	**11.5**	**17.2**	**24.4**	**30.8**	**47.4**	**48.6**	**56.5**	**66.2**	**82.0**
Investments	0.3	0.3	0.9	0.8	1.0	2.2	2.3	4.0	11.2	13.6	38.1	40.7	42.3
Tangible assets	0.6	0.8	0.9	0.8	0.8	1.7	1.7	1.9	2.2	2.3	2.5	2.7	2.8
Others	0.7	0.8	0.8	0.8	1.0	1.0	1.1	1.5	1.8	1.8	2.0	2.5	2.7
Total non-current assets	**1.7**	**1.8**	**2.6**	**2.5**	**2.8**	**4.8**	**5.0**	**7.5**	**15.1**	**17.7**	**42.6**	**45.9**	**47.8**
Total assets	**8.0**	**8.8**	**11.1**	**10.9**	**14.3**	**22.1**	**29.4**	**38.3**	**62.5**	**66.3**	**99.2**	**112.1**	**129.8**
Trade Payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current portion of LT debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	4.1	3.6	4.6	2.8	4.7	8.8	10.0	12.0	13.2	15.0	16.5	17.0	18.0
Total current liabilities	**4.1**	**3.6**	**4.6**	**2.8**	**4.7**	**8.8**	**10.0**	**12.0**	**13.2**	**15.0**	**16.5**	**17.0**	**18.0**
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	24.3	24.3
Long-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allowance for retirement reserve	0.6	1.0	1.2	1.6	2.1	2.6	2.7	3.4	3.5	4.7	5.0	5.3	5.6
Others	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.0	0.7	0.8	1.0	1.2	1.2
Total LT liabilities	**0.6**	**1.0**	**1.2**	**1.6**	**2.1**	**3.0**	**3.0**	**3.4**	**4.2**	**5.5**	**30.3**	**30.8**	**31.1**
Total liabilities	**4.7**	**4.6**	**5.8**	**4.3**	**6.8**	**11.8**	**13.0**	**15.5**	**17.4**	**20.5**	**46.8**	**47.8**	**49.1**
Paid-in capital	1.0	1.0	1.0	1.0	1.0	1.0	3.0	3.0	3.6	3.6	3.4	3.4	3.4
Capital surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.8	14.8	14.8	14.8	14.8
Retained earnings	2.3	3.2	4.3	5.5	6.6	9.3	13.5	20.1	27.6	33.8	36.1	48.0	64.4
Capital adjustments	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.3)	(0.8)	(6.3)	(2.0)	(2.0)	(2.0)
Total shareholder's equity	**3.3**	**4.2**	**5.3**	**6.5**	**7.5**	**10.3**	**16.4**	**22.8**	**45.1**	**45.8**	**52.4**	**64.3**	**80.7**

Free cashflow analysis

(Wbn)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011F	2012F	2013F
Net profit	**1.7**	**0.8**	**1.4**	**1.6**	**1.4**	**3.6**	**5.5**	**7.3**	**8.2**	**8.3**	**4.4**	**14.0**	**18.5**
Add non-cash expenses	**1.0**	**1.5**	**1.6**	**1.8**	**2.6**	**3.1**	**3.0**	**4.3**	**5.9**	**5.9**	**2.1**	**2.3**	**2.5**
Depreciation	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Equity method losses	0.0	0.0	0.0	0.0	0.3	0.1	0.0	0.2	0.4	0.1	0.1	0.1	0.1
Other non-cash expenses	0.8	1.2	1.2	1.4	2.2	2.7	2.6	3.9	5.4	5.3	1.5	1.7	1.9
Subtract non-cash	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**0.4**	**0.6**	**0.8**	**0.4**	**0.3**	**0.3**
Equity method gains	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.5	0.2	0.2	0.2	0.2
Other non-cash incomes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.6	0.2	0.1	0.1
Investment in WC	4.4	(0.3)	1.8	0.4	1.5	5.6	1.3	(1.4)	(0.5)	14.7	(0.6)	13.9	11.2
Cash from operation	**1.1**	**1.6**	**1.5**	**0.2**	**3.0**	**1.9**	**6.1**	**10.0**	**11.2**	**(3.9)**	**6.8**	**2.1**	**9.5**
Subtract capex	0.4	0.5	0.5	0.4	0.4	1.2	0.4	0.7	0.7	0.7	0.2	0.2	0.1
Free cash flow	**0.7**	**1.2**	**0.9**	**(0.2)**	**2.6**	**0.7**	**5.8**	**9.3**	**10.5**	**(4.7)**	**6.6**	**1.9**	**9.4**
Dividend	0.2	0.4	0.3	0.3	0.4	0.4	0.4	0.6	0.8	2.1	2.1	2.1	2.1
Net investments	(0.0)	(0.1)	0.6	(0.1)	0.4	1.5	2.4	8.1	6.7	3.3	24.5	2.6	1.6
Share issues	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	15.4	0.0	0.0	0.0	0.0
Increase in debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	0.0	0.0
Others	(0.8)	0.1	0.0	(0.3)	0.3	0.6	(0.3)	(1.9)	14.2	(1.8)	(1.3)	(3.1)	4.4
Net cash flow	**1.3**	**0.8**	**0.0**	**(0.2)**	**1.5**	**(1.8)**	**4.3**	**2.4**	**4.2**	**(8.3)**	**5.6**	**0.4**	**1.3**
Beginning cash	0.0	1.4	2.1	2.1	1.9	3.4	1.6	6.0	8.4	12.5	4.3	9.9	10.2
Ending cash	1.4	2.1	2.1	1.9	3.4	1.6	6.0	8.4	12.5	4.3	9.9	10.2	11.6

Key ratios and stability ratios

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011F	2012F	2013F
Current ratio	155.4	190.7	186.5	304.1	243.2	194.9	243.4	256.1	359.2	323.7	342.7	389.4	455.5
Quick ratio	141.7	171.2	175.7	297.8	236.5	169.6	205.6	180.0	191.7	211.7	222.7	299.4	352.7
Inventory holding period (days)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
A/R collection period (days)	40.4	77.7	76.7	88.0	79.5	74.7	63.8	63.4	49.5	79.1	73.9	60.6	65.1
A/P period (days)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest bear debt (Wbn)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	24.3	24.3
Cash & equivalents (Wbn)	1.9	2.5	2.5	2.0	3.4	2.3	8.5	14.9	33.3	17.8	30.1	24.9	27.0
Net int. bear debt (Wbn)	(1.9)	(2.5)	(2.5)	(2.0)	(3.4)	(2.3)	(8.5)	(14.9)	(33.3)	(17.8)	(5.8)	(0.6)	(2.7)
Net debt/equity (%)	(56.1)	(60.6)	(47.3)	(30.3)	(45.6)	(22.7)	(51.5)	(65.3)	(73.8)	(39.0)	(11.0)	(0.9)	(3.3)
Liability/equity (%)	140.2	110.9	109.4	66.2	90.1	115.0	79.1	67.8	38.6	44.7	89.4	74.4	60.9
Interest coverage (X)	373.2	855.3	5197.8	2598.2	1642.6		1558.3				13.1	26.5	34.8

Valuations and margins

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011F	2012F	2013F
EV/EBITDA (X)	11.4	18.8	11.8	11.3	10.4	5.0	4.4	2.9	1.6	2.9	7.5	2.6	1.9
EPS (W)	444	222	371	410	377	941	911	1,212	1,155	1,167	624	1,972	2,608
EPS y-y (%)	N/A	(50.0)	67.0	10.6	(8.1)	149.5	(3.2)	33.1	(4.7)	1.0	(46.5)	215.7	32.3
PER (X)	15.7	31.5	18.9	17.0	18.5	7.4	7.7	5.8	6.0	6.0	11.2	3.5	2.7
BVPS (W)	1,061	1,097	1,389	1,720	1,982	2,702	3,233	3,803	6,841	6,451	7,375	9,051	11,363
P/BVPS (X)	6.6	6.4	5.0	4.1	3.5	2.6	2.2	1.8	1.0	1.1	0.9	0.8	0.6
Dividend (W)									300	300	300	300	300
Yield (%)									4.3	4.3	4.3	4.3	4.3
ROE (%)	101.5	22.5	29.8	26.4	20.4	40.2	40.9	37.1	24.1	18.2	9.0	24.0	25.6
ROA (%)	42.3	10.0	14.2	14.2	11.4	19.7	21.2	21.5	16.3	12.9	5.4	13.3	15.3
GP margin (%)	45.0	44.0	35.6	36.6	31.8	30.9	25.3	31.3	28.0	30.7	20.9	26.6	27.1
OP margin (%)	9.8	4.8	6.8	7.0	5.7	8.6	9.0	11.2	10.3	11.1	3.9	9.1	9.4
NP margin (%)	8.5	4.2	5.9	6.2	4.5	6.9	6.8	9.1	8.6	8.9	3.3	6.9	7.1
EBITDA margin (%)	11.0	6.4	8.5	8.6	6.9	9.4	9.4	11.7	10.8	11.8	4.3	9.4	9.6
ROIC (%)	223.2	50.8	61.5	41.0	35.0	58.0	63.1	81.9	75.9	39.3	10.7	25.5	26.1
WACC (%)									3.5	8.4	6.2	7.2	7.6
ROIC less WACC (%)									72.3	30.8	4.5	18.3	18.5

This report was produced by Leading Investment & Securities Co., Ltd. 4th Floor, W Bank Bldg., 90-7, Nonhyeon-Dong, Gangnam-Gu, Seoul 135-818, Korea. Tel: +82 2 2009 7184

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