LEADING

Mid-Cap Research

Youngpoong (000670 KS)

February 6, 2012

Value tripod – Zinc & silver, investments, and subsidiaries

Analyst : Yong Han

ybhan@leading.co.kr

82-2-2009-7195

Leading Traffic Light: Green

Youngpoong is…

- ✓ The 2nd largest zinc smelter with a combined 82% MS with Korea Zinc, an affiliate company
- ✓ Proven successful investments in Korea Zinc and IT companies

Green light because:

- ✓ A prime beneficiary of current high commodity prices and could provide inflation hedge
- ✓ Market value of W2.5tr in investment assets and W200bn in related income

Growth potential:

- ➢ Fully took advantage of high commodity prices with capacity increase and dominates the zinc market with Korea Zinc
- ➢ Improving margins with lucrative silver waste
- ➢ Earnings contributions from consolidation

Management philosophy:

- ➢ Built solid grounds for growth with solid zinc and silver waste operation and successful investments
- ➢ Perfect timing for producing silver waste

Transparency & shareholder concern:

- ➢ Lack of transparency precludes access to IR
- ➢ Indifference to extremely low trading volume
- ➢ Overall lack of concern for shareholders

Strong value creation:

- ➢ Capacity increase in zinc and silver waste perfectly timed with commodity price increase
- ➢ Growth of IT subsidiaries improves earnings
- ➢ Large equity method income from Korea Zinc

Valuation:

- ➢ The value of core business and investments assets translates to fair value of W2,300,000/sh
- ➢ Implies 73.1% appreciation potential

CAVEAT EMPTOR!!! – Watch out for…

- ➢ Despite strong firm value, Youngpoong is unfit for active trading given very low trading volume
- ➢ Could take some time before the market recognizes the true value unless the management begins to have concern for shareholders

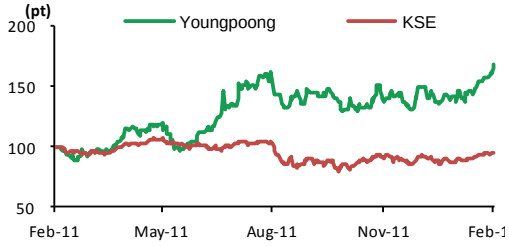
BUY

Target Price (KRW)	**W2,300,000**
Current Price (KRW)	**W1,329,000**
Upside potential	**73.1%**

Key Data	**3 Feb, 2012**
Sector	Materials
Kosdaq	1,972.34
Market Cap. (Wbn)	2,448.1
Share Outstanding(m)	1.8
Foreign Ownership	1.5
52 Week High (W)	1,329,000
52 Week Low (W)	700,000
60 days avg. turnover (Wbn)	1.0
Major Shareholders	
Sejun Jang and 8 others	40.7%

Performance (%)	**1M**	**6M**	**2M**
Absolute	15.4	17.4	69.1
Relative	9.7	15.9	73.9

Relative Performance



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	1,702.7	(1.7)	69.8	4.1	143.6	82,954	(5.3)	16.0	13.7	13.4	2.1
2009	1,706.9	0.2	74.0	4.3	160.3	94,248	13.6	14.1	13.4	13.4	1.8
2010	2,075.1	21.6	122.9	5.9	220.3	128,069	35.9	10.4	10.0	15.7	1.5
2011E	2,539.8	22.4	170.2	6.7	297.7	173,083	35.1	7.7	8.0	17.7	1.2
2012E	2,954.9	16.3	203.9	6.9	335.8	195,243	12.8	6.8	6.8	16.4	1.0
2013E	3,258.8	10.3	221.6	6.8	364.6	211,988	8.6	6.3	6.0	15.0	0.9

NOTICE

The analyst responsible for this report is an employee of Leading Investment Securities, which has shares of Youngpoong as outlined below as of February 3, 2012.

Number of shares owned: 54,327 shares
% stake in Youngpoong: 2.95%

However, the analyst responsible for the content of this research report certifies that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinions about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

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Key investment points

✓ Beneficiary of high commodity prices…could become an inflation hedge

The central banks of major countries provided a large amount of liquidity to deal with the global financial crisis during the past few years. In the near zero interest rate environment, much of the money flowed into the commodities. The United States will maintain the current zero interest rate until at least 2014, and EU cannot afford to tighten money supply given the current crisis. As such, the current abundant supply of liquidity is expected to persist in the global financial markets. Also, some of the economic indicators are slowly beginning to show signs of recovery, which could lead to increased demand for commodities. Thus, the likelihood of commodities prices maintaining the current high level, if not a further increase, is very high.

Also, when the global economy recovers, current abundant liquidity could become an inflationary pressure. However, global real estate market is in an unprecedented bear market and investors have moved to commodities market. Thus, if there is an inflationary pressure, there is a high likelihood that commodity market could enter another bull market, and Youngpoong (YP) could become a hedging tool for inflation (Page 13).

YP increased zinc smelting capacity from 310,000 tons/year in 2009 to 380,000 tons/year in 2011. Also, the company began processing silver waste since 2010, which is generating annual revenue of about W120bn. As such, YP could easily become an inflation hedging tool given its product makeup (Page 21).

✓ Enormous income from investments

YP has 26.91% of Korea Zinc (010130 KS) whose market capitalization is W7.7tr, which translates to YP portion at W2.7tr. Korea Zinc generates net profit in excess of W700bn a year, which translates to equity method gain of about W200bn per year. Such huge equity method gain is responsible for about 50% of profit before tax, thus an examination of PBT is more important than revenue. The company also has an office building valued at W511.1bn which generates W40bn in rental income per year (Page 15).

✓ Subsidiaries accounting for 60% of consolidated earnings

YP has eight subsidiaries that are subjects of IFRS consolidation. The revenues from IT companies account for 80% of the subsidiary revenues, and the total subsidiary revenues account for about 60% of the consolidated revenue. As such, YP is successful not only in commodities, but also in investments that have proven successful. Such diversification has led to subsidiaries accounting for about 30% of consolidated PBT (Page 14 & 24).

✓ Fair price assessment of W2,300,000/sh – implies 73.1% appreciation potential

A fair value of YP could be defined as a sum of operational value and investment value. In order to calculate operational value, an average PER of 10.0x (9.7x for the metal industry PER and 10.3x for IT industry PER) was applied to net profits from iron & silver operation and subsidiaries, which yielded W1.65tr. Then investment value was derived by adding W2.07tr (26.91% of Korea Zinc) and W511.1bn for YP Building, sum of which is W2.58tr

Employing the sum of parts valuation, a fair price for YP was derived at W2,300,000/sh, which implies 73.1% appreciation potential (Page 28).

Section 1: Company Snapshot

High commodity price beneficiary and investments assets

Beneficiary of high commodity price

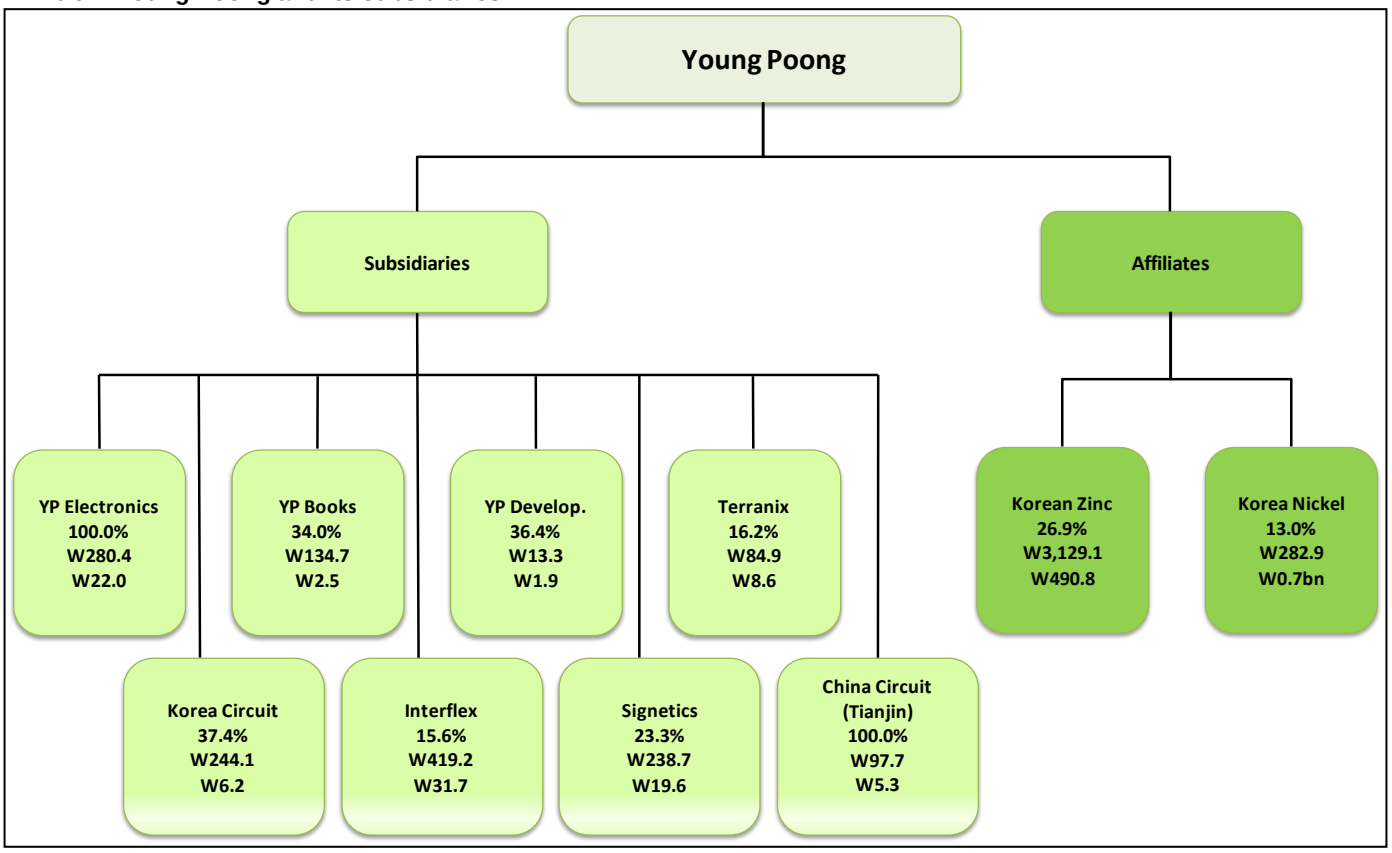
YP is a beneficiary of high global commodity prices that resulted from abundant global liquidity. Commanding a market share of 32%, its earnings increased consistently during the past few years as a result, The company increased zinc smelting capacity from 280,000 MT/year in 2007 to 380,000 MT/year in 2011, a perfect timing for taking advantage of the high commodity prices. In addition, it began producing silver waste beginning 2010, which is now generating annual revenue of about W120bn. Silver waste is extracted from industrial waste generated in the process of zinc smelting, thus its production cost is very low and delivers high profit margin.

Investments valued at W2.5tr and W200bn in related annual income

YP has 26.91% (market value W2.07tr) of Korea Zinc, the largest zinc and silver processor in the country. It also has rather insignificant investment of 13.0% of Korea Nickel (unlisted). YP recorded equity method gain of W130.9bn in 2010, which was 49.1% of PBT. In addition, it has an office building valued at W511.1bn which generates an annual rental income of W400bn.

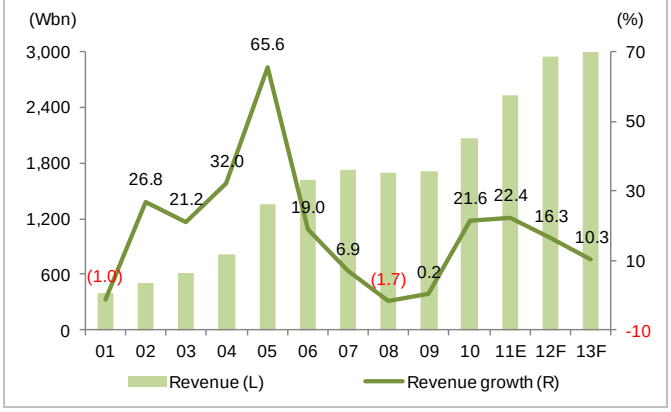
YP has eight companies as subsidiaries that are subjects of consolidation. Six of them are IT companies with strong growth potential, which shows that YP is expanding beyond commodities business and securing a future growth catalyst. The revenues from the eight subsidiaries accounted for 57.6% of the consolidated revenue, and the contribution is expected to increase to 63.9% by 2013.

Exhibit 1. Young Poong and its subsidiaries



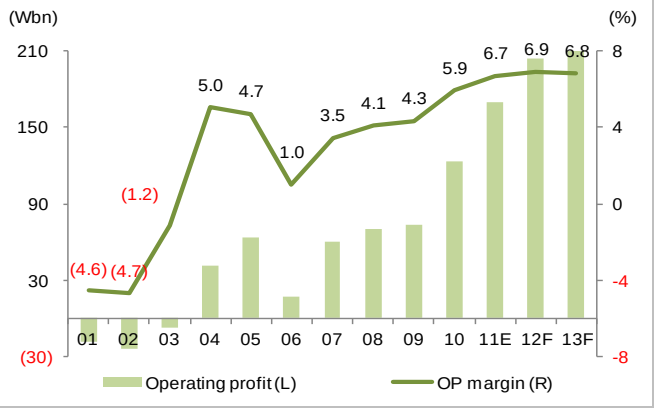
Source: Company data, Leading Research Center

Exhibit 2. Revenue and growth trend



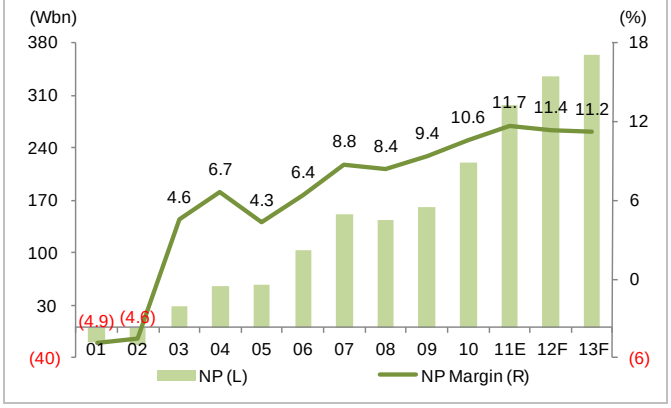
Source: Company data, Leading Research Center

Exhibit 3. Operating profit and OPM trend



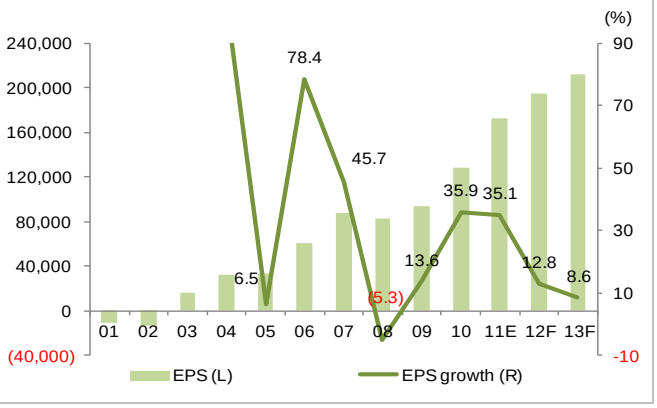
Source: Company data, Leading Research Center

Exhibit 4. Net profit and NPM trend



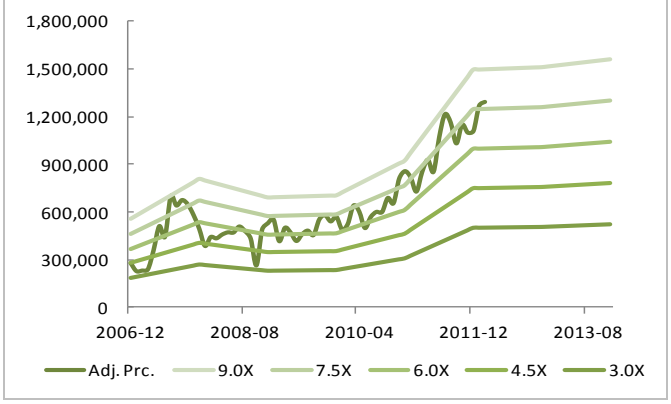
Source: Company data, Leading Research Center

Exhibit 5. EPS and EPS growth



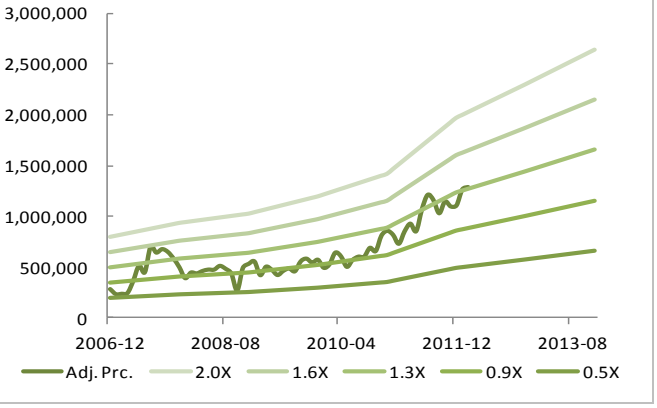
Source: Company data, Leading Research Center

Exhibit 6. PER Band



Source: FnGuide

Exhibit 7. PBR Band



Source: FnGuide

Section 2: Is the company a value creator?

Equity method gains contributing to high ROE of 15%~20%

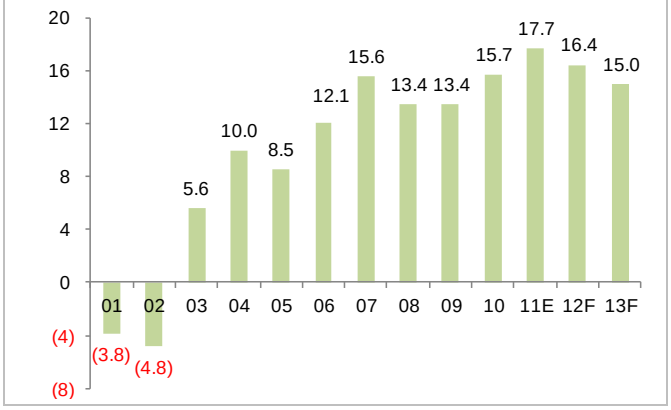
High ROE in the 15%~20% range

YP recorded ROE in the range of 12%~16% during the past few years, but it is expected to jump to 16.4% in 2012F and 15.0% in 2013F. The driving engines for such strong ROE are strong earnings from subsidiaries, an equity method gains in excess of W200bn from Korea Zinc, and of course, strong earnings from zinc and silver waste.

High zinc and silver price pushed core business OPM from 4.5% in 2010 to 7.8% in 2012F

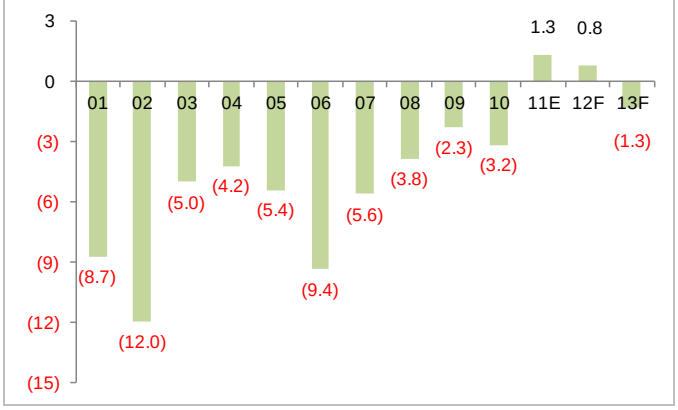
The OP margins of zinc operation is expected to jump from 4.5% in 2010 to 7.8% in 2012 as the highly lucrative silver waste contributes to zinc and silver waste operation and assist in generating high ROE.

Exhibit 8. ROE (%)



Source: Company data, Leading Research Center

Exhibit 9. ROIC less WACC (%)



Source: Company data, Leading Research Center

ROIC not a good value indicator for YP

Low ROIC due to unique PBT structure

Given a rather unique profit structure of YP, its NOPAT is low compared to invested capital. As such, its EVA was consistently in the red and is expected to remain more or less at around 0% during our forecast horizon. As such, relying on ROIC or EVA could be misleading when analyzing the value of YP.

Section 3: Free cashflow generation and dividend policy

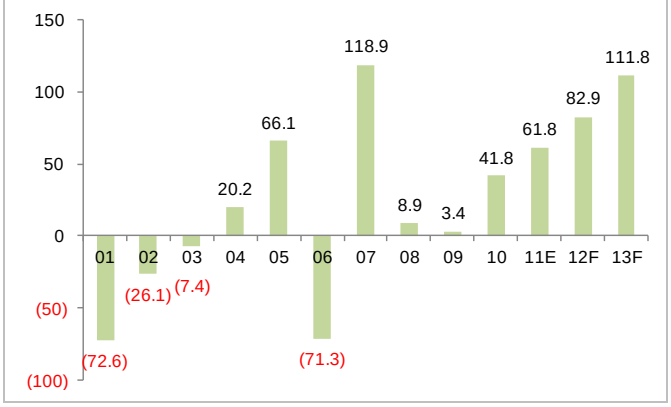
Increasing FCF as core business expands

Low FCF due to large amount of non-cash income, but FCF will improve beginning 2012F as OPM rises

Due to high proportion of equity method gains (non-cash income), YP's FCF is rather low compared to its net income. In 2010, net income was W220.3bn, but FCF was only 41.8bn.

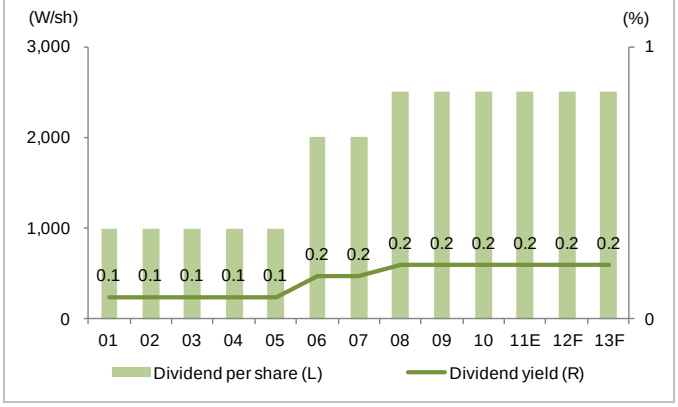
However, high zinc price and silver waste price will contribute to increasing FCF, which is expected to grow rapidly from W61.8bn in 2011E to W82.8bn in 2012F and further to W111.7bn in 2013F.

Exhibit 10. Free cashflow trend (Wbn)



Source: Company data, Leading Research Center

Exhibit 11. Dividend per share and yield trend



Source: Company data, Leading Research Center

Management focus more on cash accumulation than dividend

Despite net profit in the range of W100bn~W200bn and consistent positive FCF during the past few years, dividend yield is only about 0.2%. Such insignificant dividend could be viewed as a sign that the YP management has little concern for shareholders.

Exhibit 12. Dividend Trend

(Wbn)	01	02	03	04	05	06	07	08	09	10	11E	12F	13F
Cash from operation	26.8	17.9	38.9	98.9	152.6	119.2	238.0	130.0	155.4	272.5	226.8	255.9	292.8
CAPEX	99.4	43.9	46.3	78.7	86.5	190.5	119.1	121.0	152.0	230.7	165.0	173.0	181.0
Free cashflow	(72.6)	(26.1)	(7.4)	20.2	66.1	(71.3)	118.9	8.9	3.4	41.8	61.8	82.9	111.8
Dividend paid	2.1	2.4	2.4	6.4	4.8	4.0	4.2	5.1	6.3	6.3	6.3	6.3	6.3
Dividend per share (W/sh)	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,500	2,500	2,500	2,500	2,500	2,500
Dividend yield	1.8	2.0	2.4	1.2	0.7	0.7	0.4	0.5	0.4	0.3	0.2	0.2	0.2

Note: Dividend yield based on the closing price of the year

Source: Company data, Leading Research Center

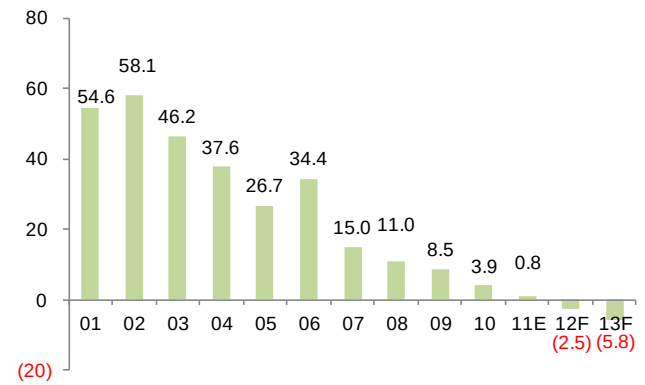
Section 4: Are the debt and interest burden manageable?

Net cash position in 2012F

Expected to turn to net cash position beginning 2012F

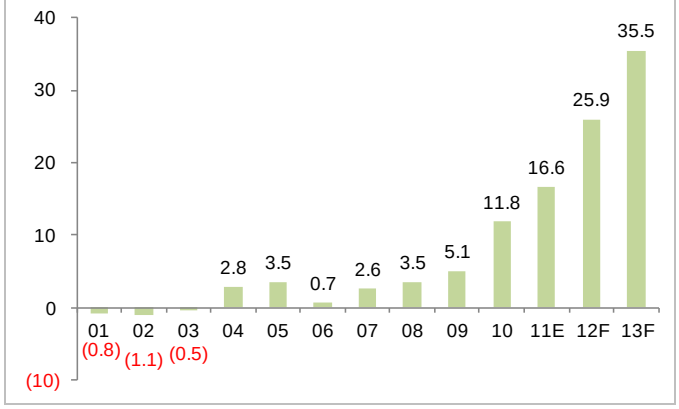
Historically, YP maintained low net interest bearing debt to equity ratio. The highest interest bearing debt to equity ratio during the past decade was 58.1% in 2002. It is now near 0% and is expected to turn to net cash position in 2012F with healthy FCF generation.

Exhibit 13. Net debt/equity ratio (%)



Source: Company data, Leading Research Center

Exhibit 14. Interest coverage (X)



Source: Company data, Leading Research Center

Near 0% debt/equity ratio – interest coverage has little meaning

Given near 0% net interest bearing debt to equity ratio, interest coverage ratio has little meaning for YP. The net interest income is expected to be W0.4bn in 2012F and W2.9bn in 2013F, which are not big enough to have any meaningful impact on net profit.

Exhibit 15. Interest bearing debt and interest coverage trend

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Interest bearing debt	312.3	292.1	270.7	252.6	357.4	426.2	295.0	320.7	274.7	318.3	268.3	208.3	148.3
Cash & equivalents	34.3	17.9	23.4	40.9	143.4	110.6	140.8	199.6	165.3	258.8	254.0	264.1	302.4
Net int bear	278.0	274.2	247.3	211.7	214.0	315.6	154.2	121.1	109.3	59.5	14.3	(55.8)	(154.1)
Net int bear debt/eq (%)	54.6	58.1	46.2	37.6	26.7	34.4	15.0	11.0	8.5	3.9	0.8	(2.5)	(5.8)
Interest expense	23.5	21.9	15.6	14.6	18.3	23.2	22.6	20.0	14.6	10.4	10.3	7.9	6.2
Interest Income	5.6	2.1	1.7	1.8	4.7	5.7	6.4	9.0	7.2	6.4	7.7	8.3	9.1
Net interest expense	17.9	19.8	13.9	12.8	13.6	17.5	16.2	11.0	7.4	4.0	2.6	(0.4)	(2.8)
Interest coverage (X)	(0.8)	(1.1)	(0.5)	2.8	3.5	0.7	2.6	3.5	5.1	11.8	16.6	25.9	35.5

Source: Company data, Leading Research Center

Section 5: Asking money with share issues and CB & BW?

No stock issuance since 1992

More than enough cash position and future FCF – no need for stock issues

The last time the company raised money through stock issuance was W44bn raised in 1992. The company is expected to finance all capital investments with internally generated cash and turn to a net cash position in 2012F. Thus, there will be no need for stock issuance in the foreseeable future.

Exhibit 16. Capital raised through stock issuance

(Wbn)	01	02	03	04	05	06	07	08	09	10	Incr.during '06-10
Paid-in capital	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	0.0
Paid-in cap in excess of par	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	0.0
Capital raised through stock issue	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	0.0

Source: Company data

Possibility of issuing BW or CB negligible

YP has never issued BW or CB, and a possibility of issuing BW or CB in the future is also negligible.

Section 6: What is the management philosophy?

Astute YP management – the force behind the growth

Management securing both stability and profitability

YP management's decision to begin production of silver waste in 2010 was astute and very timely given that silver price rose from $14.7/troy oz in 2009 to $20.2/troy oz in 2010 and further to $35.2/troy oz in 2011. The decision improved earnings quality and is expected to help the company turn to net cash position by the end of 2012F.

Wise investor – series of successful investments

YP management also has proven its ability for making wise and lucrative investment. Thanks to the management's decision to acquire 26.91% of Korea Zinc, which is the largest zinc producer in Korea and the largest silver producer (among non-mining companies) in the world that generates W700bn~W800bn in annual net profit. Also, it made successful investment in eight subsidiaries, six of which are prominent IT companies that are generating about 60% of consolidated revenue.

Simply put, YP management has proven its management skills through astute business decision to enter silver paste business with a perfect timing and making YP the second largest zinc producer in the country. Also, the management's wise investment decisions have led to W2.5tr in investment assets and successful diversification into IT industry through subsidiaries.

But has little concern for shareholders

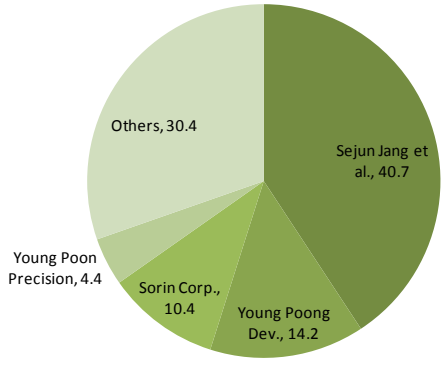
Little concern for shareholders and lack of transparency

However, YP has consistently shown little concern for minor shareholders and lack of transparency. There was virtually no company report on YP during the past decade mainly because it has no IR team and the company basically precludes IR meetings. The only company data it provides are legally required documents, such as annual reports. Thus, investors are denied basic rights to properly examine company's operation, which is crucial in reaching a fair valuation of the company. Also, dividend yield is nearly meaningless at 0.2%.

Given the fact that YP denies potential investors and shareholders basic services (transparency, IR meetings, etc) known to be common at other listed companies. As such, the market is not recognizing the true value of YP.

Management Profile

Exhibit 17. Shareholders (%)



Source: Company data, Leading Research Center

Exhibit 18. CEO profile

CEO Jang Hyung-Jin

Period	Career & Education
Current	Federation of Korean Industries, Director
	Yonsei Univ. B.A in Commercial Science

Source: Company data

Section 7: FX exposures and sensitivities

FX sensitivities

1% change in 2012 year-average KRW/USD rate to change EPS by 1.4%

The amount of exports exceeding imports is 15% of total revenue, thus a drop in exchange rate is negative for the company's earnings. If KRW/USD rate rises 1% from an expected year average of W1,084/$, the revenue increases 0.5% and EPS increases 1.5%. Thus, the impact of exchange rate on earnings is within a manageable level.

Exhibit 19. FX sensitivity in 2011E

Currency rate change	-5%	-1%	Base	1%	5%
Year-avg KRW/USD	1,049	1,093	1,104	1,115	1,160
Revenue (Wbn)	2,472.3	2,526.3	2,539.8	2,553.3	2,607.3
Operating profit (Wbn)	147.5	165.6	170.2	174.7	192.9
NP (Wbn)	275.0	293.2	297.7	302.3	320.4
EPS (W)	149,307	159,164	161,629	164,093	173,951
PER (X)	8.5	8.0	7.8	7.7	7.3
Revenue change (%)	(2.7)	(0.5)		0.5	2.7
OP change (%)	(13.3)	(2.7)		2.7	13.3
NP change (%)	(7.6)	(1.5)		1.5	7.6
EPS change (%)	(7.6)	(1.5)		1.5	7.6

Source: Company data, Leading Research Center

Exhibit 20. FX sensitivity in 2012F

Currency rate change	-5%	-1%	Base	1%	5%
Year-avg KRW/USD	1,030	1,074	1,084	1,096	1,139
Revenue (Wbn)	2,879.9	2,939.9	2,954.9	2,969.9	3,029.9
Operating profit (Wbn)	180.9	199.3	203.9	208.5	226.9
NP (Wbn)	312.9	331.2	335.8	340.4	358.8
EPS (W)	169,839	179,825	182,322	184,818	194,804
PER (X)	7.5	7.0	6.9	6.8	6.5
Revenue change (%)	(2.5)	(0.5)	0.0	0.5	2.5
OP change (%)	(11.3)	(2.3)	0.0	2.3	11.3
NP change (%)	(6.8)	(1.4)	0.0	1.4	6.8
EPS change (%)	(6.8)	(1.4)	0.0	1.4	6.8

Source: Company data, Leading Research Center

Exhibit 21. FX sensitivity in 2013F

Currency rate change	-5%	-1%	Base	1%	5%
Year-avg KRW/USD	966	1,006	1,016	1,027	1,067
Revenue (Wbn)	3,175.8	3,242.2	3,258.8	3,275.4	3,341.8
Operating profit (Wbn)	196.0	216.5	221.6	226.7	247.2
NP (Wbn)	335.3	358.0	364.6	379.9	400.4
EPS (W)	182,014	194,347	197,959	206,249	217,387
PER (X)	7.3	6.8	6.7	6.4	6.1
Revenue change (%)	(2.5)	(0.5)	0.0	0.5	2.5
OP change (%)	(11.6)	(2.3)	0.0	2.3	11.6
NP change (%)	(8.1)	(1.8)	0.0	4.2	9.8
EPS change (%)	(8.1)	(1.8)	0.0	4.2	9.8

Source: Company data, Leading Research Center

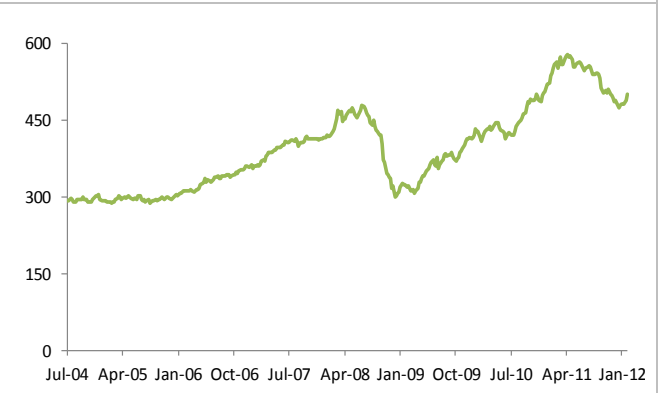
Section 8: Operations overview

Inflation Hedge and beneficiary of high commodity prices

A beneficiary of the current commodity bull market

YP wasted no time in taking advantage of the recent commodity bull market by increasing zinc capacity and beginning production of silver waste. As a result, it could become an inflation hedging tool if the over-abundant global liquidity ever turns into an inflationary pressure. Several financial crises during the past few years led to central banks of major countries to provide excess liquidity to the market. As a result, the US interest rate fell to near 0%, and FRB announced that it will maintain zero interest rate until 2014. Real estate market, a typical haven for inflation, is in turmoil globally. As a result, investors have been moving to commodity market during the past few years.

Exhibit 22. CRB Commodity Index trend



Source: Bloomberg

Exhibit 23. Gold price trend ($/Troy Oz)

Source: Bloomberg

Exhibit 24. Crude Oil price trend ($/bl)

Source: Bloomberg

Exhibit 25. Corn price trend (Cents/bu)

Source: Bloomberg

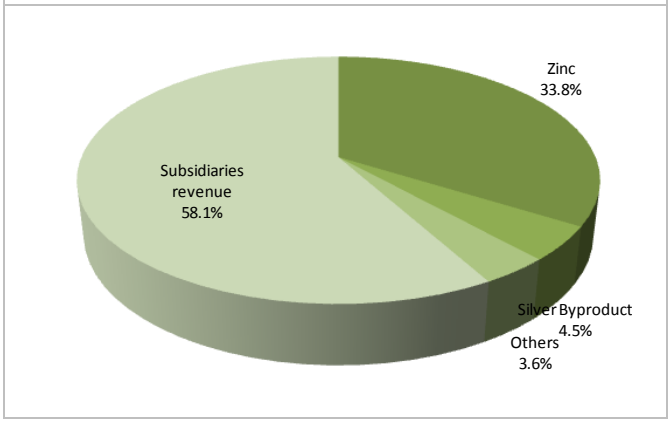
Subsidiaries account for 60% of revenue

Subsidiary revenue account for 60% of total consolidated revenue

YP's 2011E non-consolidated revenue was W1.06tr. However, the revenue grows to W2.54tr under IFRS consolidation. Examining the breakdown of 2011E IFRS consolidation revenue reveals that zinc revenue accounted for 33.8% of total revenue, but the portion is expected to decrease to 28.9%. On the other hand, revenue of the subsidiaries accounted for 58.1% in 2011E, but is expected to increase to 63.9% in 2013F. A clear implication is that subsidiaries, composed mostly of IT companies, are expected to grow faster than zinc operation.

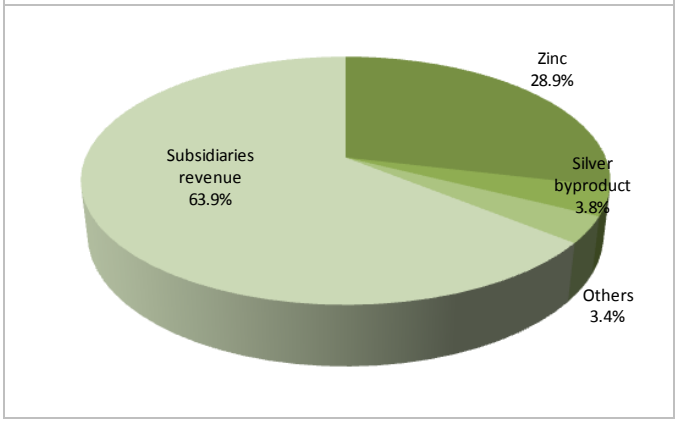
Silver waste operation, which the company began in 2010, recorded W110.0bn in revenue in 2011E and accounted for 4.5% of consolidate revenue. The year-average silver price was $35.2/troy oz in 2011, but is expected to rise 8.8% to $38.3/troy oz in 2013F. However, the year-average KRW/USD exchange rate is expected to drop to 7.9% to W1,017/$ in 2013F from W1,104/$ in 2011. As a result, there will be no change in KRW denominated silver price between 2011E and 2013F. As a result, a contribution of silver waste revenue to consolidated revenue is expected to drop from 4.5% in 2011E to 3.8% in 2013F.

Exhibit 26. 2011E Revenue breakdown



Source: Company data, Leading Research Center

Exhibit 27. 2013 F Revenue breakdown



Source: Company data, Leading Research Center

Exhibit 28. Revenue breakdown of Young Poong

(Wbn)	2007	2008	2009	2010	2011E	2012F	2013F
	GAAP consolidated				IFRS consolidated		
Young Poong	**904.1**	**750.1**	**670.0**	**880.4**	**1,063.4**	**1,168.5**	**1,168.7**
Zinc	835.3	652.5	601.6	758.2	858.4	941.0	935.6
Silver Byproduct	0.0	0.0	0.0	52.3	113.1	123.9	121.7
Others	68.8	97.6	68.4	69.8	92.0	103.7	111.3
Revenue from subsidiaries	**827.7**	**952.6**	**1,036.9**	**1,194.7**	**1,476.4**	**1,786.4**	**2,090.1**
Total revenue	**1,731.8**	**1,702.7**	**1,706.9**	**2,075.1**	**2,539.8**	**2,954.9**	**3,258.8**

Source: Company data, Leading Research Center

Unique earnings structure

50% of profit before tax is from equity method gains from Korea Zinc

The company has a unique earnings structure: 49.1% PBT is from equity method gains in 2010 (GAAP Consolidated). Subsidiaries contributed 30.2% and zinc smelting and related operations contributed 20.7% to PBT.

The reason for such a unique earnings structure is 26.91% stake in Korea Zinc, the largest zinc and silver producer in the country. Korea Zinc recorded W490.8bn in net profit in 2010 and W726.6bn in 2011E and is expected to record W744.5bn in 2012F. As the major shareholder with 26.91% stake in Korea Zinc, YP is expected to record a net equity method gain of W201.5bn in 2012F and W216.9bn in 2013F.

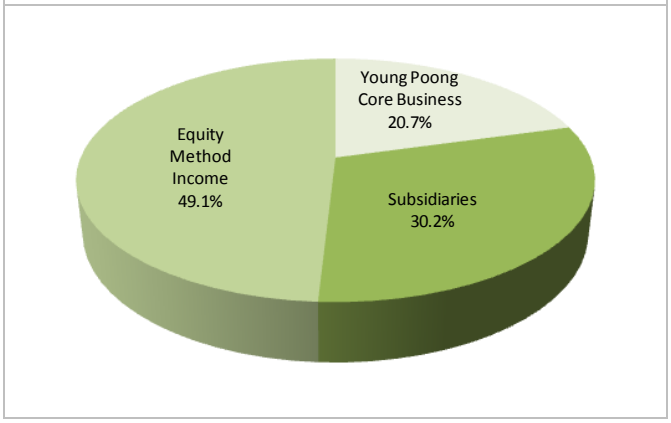
The PBT from YP's core operation of zinc and related operations were responsible for 20.7% of total PBT. But the contribution is expected to increase to 25.4% in 2012F as the high zinc price and very lucrative silver waste enhances core operation earnings. The subsidiaries were responsible for 30.2% of PBT, but the portion is expected to decrease to 27.5% in 2012F.

Analysis of iron& silver, equity method gains, and subsidiaries crucial

In order to accurately analyze YP's earnings structure and quality, examination of the following is necessary:

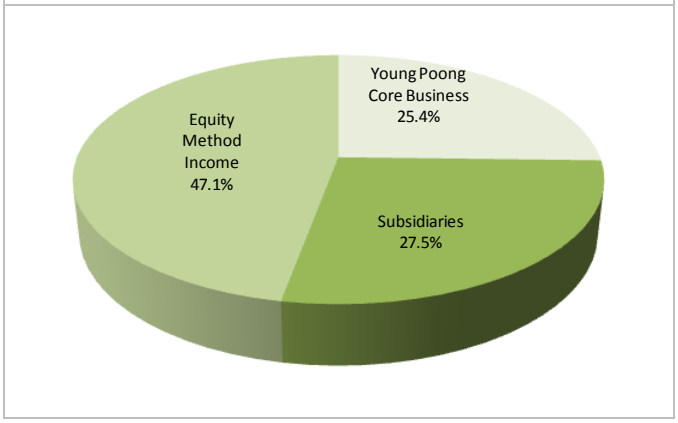
1. Profitability of zinc and silver waste operation (Page 16)
2. Equity method gains from Korea Zinc (Page 22)
3. Profitability of subsidiaries (Page 24)

Exhibit 29. Profit before taxes (non-con. GAAP) (2010)



Source: Company data, Leading Research Center

Exhibit 30. Profit before taxes (IFRS con.) (2012F)



Source: Company data, Leading Research Center

Exhibit 31. Profit before taxes breakdown

(Unit:Wbn)	2006	2007	2008	2009	2010	2011F	2012F	2013F
			GAAP consolidated			IFRS consolidated		
Profit before taxes	**128.4**	**202.0**	**158.9**	**207.3**	**266.5**	**379.3**	**427.8**	**464.5**
Young Poong non-con. (Zinc & Silver)	48.9	116.5	75.7	48.6	55.1	100.6	108.7	110.2
Subsidiaries (electronics)	(31.9)	(26.7)	8.1	48.3	80.6	82.1	117.6	137.4
Breakdown								
Young Poong non-con. (Zinc & Silver) (%)	38.1	57.7	47.6	23.5	20.7	26.5	25.4	23.7
Subsidiaries (electronics) (%)	(24.9)	(13.2)	5.1	23.3	30.2	21.6	27.5	29.6
Equity method income (%)	86.8	55.6	47.3	53.2	49.1	51.8	47.1	46.7

Source: Company data, Leading Research Center

I. YP's Core Business – zinc and silver waste

Zinc smelting accounts for 80$ of core business revenue

On a stand-alone basis, YP's major products are zinc and silver waste. In 2010, the revenue from zinc accounted for 86.2% of stand-alone revenue and silver wasted accounted for 5.9%. But in 2012F, revenue contribution of zinc is expected to decrease to 78.9% while silver waste is expected to increase to 11.2% as the production volume increases.

Zinc is the base material for steel, automobiles, electrical appliances, construction, etc.

Zinc has very wide application on virtually all industries: steel, automobiles, home appliances, electronics, construction, etc. Zinc is used as base materials in a number of industries and is also used as coating for exterior of automobiles and home appliances and also as a protective coating for steel used in construction. It is also used as protective surface coating for steel pipe, steel plate, steel wire and many other steel products.

Youngpoon and Korea Zinc dominates the domestic zinc market with combined market share of 82%

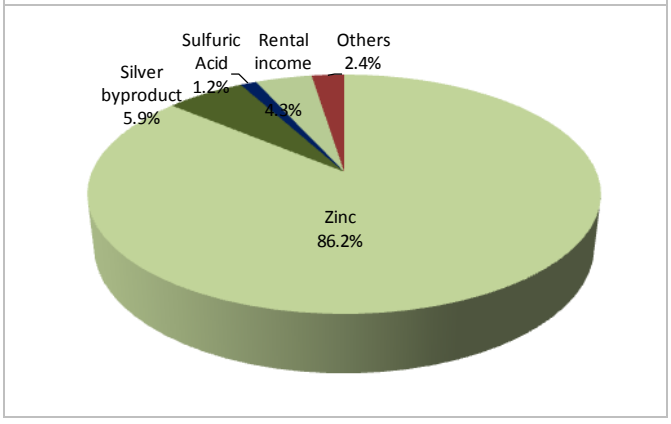
The domestic zinc industry is dominated by YP (MS 32%) and Korea Zinc (MS 50%) , whose combined market share is 82%. But given the fact that YP has 26.91% of Korea Zinc, YP could be considered de facto largest zinc producer in the country.

Began producing highly lucrative silver waste in 2010

YP began silver waste production in 2010. The year-average silver price was $14.7/troy oz in 2009 but rose sharply to $20.2/troy oz in 2010 and experienced another sharp increase to $35.2/troy oz in 2011. The silver price was $33.6/troy oz as of February 2, 2012. Given such a strong price, silver waste is becoming an important product of the company delivering lucrative margin as it is produced from waste created during zinc smelting.

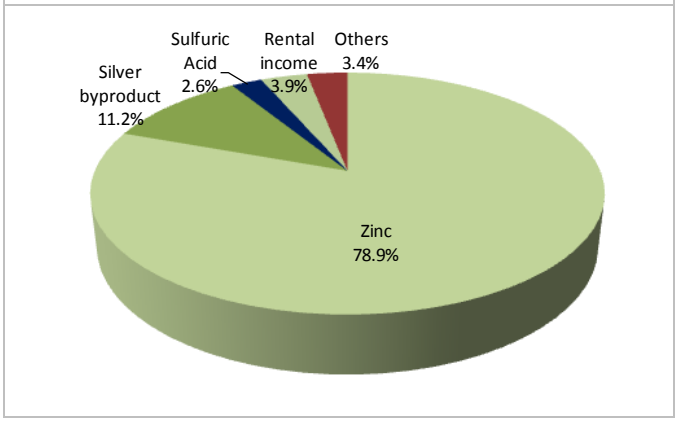
Korea Zinc has been producing silver for the past few decades, but YP only jumped in after the silver price climbed to high level.

Exhibit 32. Core Business revenue breakdown (2010)



Source: Company data, Leading Research Center

Exhibit 33. Core Business revenue breakdown (2012F)



Source: Company data, Leading Research Center

Four major profit sources of zinc smelting

Four major profit sources of zinc smelting – treatment charge, free metal, premium, and by-products

An ordinary company purchases raw materials and processes them into a product. The purchase of raw materials is recognized as COGS and sales of products are recognized as revenues.

However, a zinc smelter has a rather complicated profit structure composed of treatment charge, free metal, premium and by-products. A zinc smelter procures zinc ore and produces after going through treatment and smelting. Ordinarily, zinc content of zinc ore is 50%: smelting 1 ton of zinc ore yields 0.5 tons of zinc. In this process, a company secures the following four profit sources.

1. Treatment Charge (TC) – TC includes treatment and smelting costs and base profit margin. It could be construed as gross margin. TC is negotiated between mining company and zinc smelter. Once base TC is negotiated, TC increases if the market zinc price of zinc rises and TC drops if the market zinc price falls. Thus, it could be construed as receiving a bonus or a pay cut depending on the zinc market price movement.

2. Free metal – In calculating TC, the calculation begins at 85% of the zinc market price. Thus, the 15% of the zinc price is free profit, thus called free metal. For example, if the market price of zinc is $1,000/MT, zinc smelter keeps $150/MT as free metal and also keeps TC. Thus, if the zinc smelter could retrieve 100% of zinc content in zinc ore, it could receive 15% of zinc price and TC. However, if zinc smelter cannot retrieve 100% of the zinc content for some reason, then the amount of free metal would decrease.

3. Premium – A margin added to selling price of zinc with consideration of supply and demand situation, cost of transportation, etc.

4. By-product – When one ton of zinc ore with 50% zinc content is smelted, it naturally produces 0.5 ton of industrial waste. Through waste recycling, YP extracts silver waste from which it generates about W120bn in annual revenue. YP also extracts sulfuric acid from the waste, but annual revenue is only about W25bn.

Treatment Charge (TC)

0.5 ton of zinc produced from 1 tons of zinc ore

Zinc smelter procures zinc ore in powder form and produces zinc after going through treatment and smelting. Ordinarily, zinc content of zinc ore is 50%, so 0.5 ton (500 kg) of zinc can be smelted from one ton of zinc ore.

Treatment charge is the key factor in determining profit

Zinc smelter sells zinc and keeps the TC and above mentioned profit sources and pays the remainder to mining company as purchasing price for zinc ore.

So, in a way, zinc smelter could be construed a subcontractor for mining company receiving a fee for the work done, namely zinc smelting.

Formula for treatment charge

The calculation of TC is done as the following formula. Mining companies and zinc smelter usually negotiate TC in February of every year.

In negotiation TC, the mining company and zinc company negotiates the following three conditions:

A. Base TC
B. Base LME price
C. Escalator & De-escalator

Actual TC if market zinc price rises = Base TC + (Previous month avg. LME zinc price – Base LME zinc price) x Escalator

Actual TC if market zinc falls = Base TC + (Previous month avg. LME zinc price – Base LME zinc price) x De-escalator

A. Base TC

Mining companies and zinc smelter first determine base TC through negotiation. The most important factor determining the base TC is the current market price zinc and supply and demand situation. If they have a positive outlook, base TC is settled at a high level.

In 2009, the base TC was $194/MT, and year-average LME zinc price was $1662/MT. However, when 2010 negotiation took place in February 2010, the LME zinc price rose to $2,300/MT and gave a bright outlook. Such market condition played a big role in 2010 base TC being adjusted upward to $$270/MT.

B. Base LME zinc price and Escalator & De-escalator

They also negotiate escalator and de-escalator, which are similar to bonus and pay cut. When zinc price rises, escalator is applied and raises the actual TC (= base TC + escalator) and de-escalator is applied to actual TC (= base TC – de-escalator) if the zinc price falls. The pivot point for applying escalator and de-escalator is base LME price.

In other words, if the market price exceeds the pre-determined base LME price, escalator is multiplied to the difference between the market price and base LME price.

An example of actual TC determination – the year 2009

An example of actual TC

Base TC for a year is determined at the beginning of the year. But actual TC that zinc smelter actually receive is determined by applying escalator (bonus) if the zinc price exceeds the base LME price and de-escalator (pay-cut) is applied if the zinc price falls below the base LME price.

It is a customary practice for the major mining companies and major zinc smelters to enter negotiation first then others take the first agreement as a rough guideline. The negotiation usually takes place in February of each year.

In February of 2009, negotiations took place in the wake of Lehman crisis. The zinc price fell from $2,400/MT during 2008 negotiation to $1,100/MT in 2009. Such economic and market condition played a major role in zinc smelters agreeing to base LME price of $1,250/MT in 2009, far less than $2,000/MT in 2008. The base TC also fell from $300/MT in 2008 to $194/MT in 2009. Escalator (bonus rate) remained at 10%, but De-escalator (pay-cut rate) rose from 6% in 2008 to 10% in 2009.

Exhibit 34. Market condition in February 2009 & Factors that influenced 2008 treatment charge

Due to Lehman crisis in 2008, the world economy went into a recession. The market had a pessimistic view about commodity prices as crude oil price plunged by more than 60%while zinc price dropped by over 50%.

LME price at negotiation ($/MT)		LME base price ($/MT)		Yr-avg LME price ($/MT)		Base TC ($/MT)		Escalator		De-escalator	
2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
2,400	1,150	2,000	1,250	1,903	1,690	300	194	10%	10%	6%	10%

Source: Metal Bulletin, Korea Zinc, Leading Research Center

Mining company and zinc smelter negotiate terms and conditions for TC every February

However, zinc price began rising soon after the negotiation and rose to $2,500/MT by the end of 2009 and yielded 2009 year average price of $1,690/MT. Escalator of 10% was applied to $440/MT, the amount exceeding the 2009 base LME price (=2009 year average zinc price of $1,690/MT – base LME price of $1,250/MT). The resulting actual TC turned out to be $238/MT(= base TC of $194/MT + 10% escalator X $440/MT). However, the actual 2009 TC was $235/MT, which is $3/MT off the calculated actual TC, mainly because actual TC is calculated every month while this report used year-average price for simplicity sake.

Exhibit 35. Zinc price trend (LME) (US$/MT)

Source: Bloomberg

2012 negotiation expected to be similar to 2011

Base TC dropped in 2011 negotiation

YP imports zinc ore mainly from Australia, Peru, and United States. Details of negotiations are not released to the public. But according to an article published in Metal Bulletin, 2011 base LME price and escalator and de-escalator remained status quo, but base TC dropped from US$270/MT to US$230/MT.

Exhibit 36. Zinc Benchmark TC trend

(US$/t)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012F	2013F
Base TC	169	147	141	126	128	300	300	194	270	230	230	230
LME price	798	842	1,068	1,401	3,265	3,242	1,903	1,690	2,185	2,208	2,320	2,450
Base LME price	1,000	1,000	1,000	1,000	1,400	3,300	2,000	1,250	2,500	2,500	2,300	2,400
Escalator	16%	16%	16%	14%	14%	8%	10%	10%	5%	5%	5%	5%
De-escalator	14%	15%	14%	14%	12%	6%	6%	10%	5%	5%	5%	5%
Real TC	**138**	**121**	**149**	**179**	**389**	**297**	**293**	**235**	**253**	**215**	**231**	**233**

Source: Metal Bulletin, Korean Zinc, Leading Research Center

Considering the current market condition, 2012 terms and conditions are expected to be similar to 2011

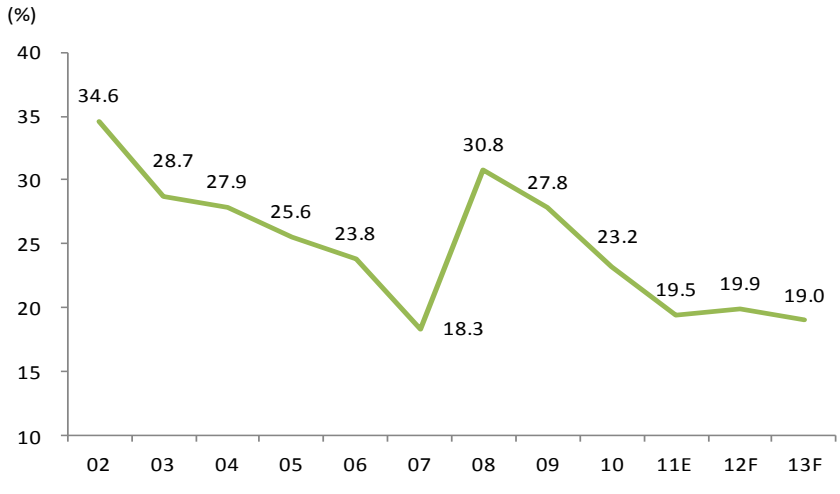
The general market consensus is that 2012 base TC will not change much from $230/MT in 2011. However, base LME price is expected to drop $200/MT to $2,300/MT. Escalator and de-escalator are expected to remain unchanged at 5%. Basically, mining companies and zinc smelters seem to have neutral view on the zinc market. Thus, they are expected to agree on conditions similar to 2011.

The ratio of actual TC to LME price is expected to remain at circa 19%

The ratio of actual TC to zinc price peaked at 15.4% in 2008 and has been on downhill since. The ratio was dropped to 11.6% in 2010 and further dropped to 9.5% in 2011 and expected to be 9.4% in 2012F.

One important fact about actual TC to zinc price ratio is that the ratio needs to be doubled. In order to produce 1 ton of zinc, 2 tons of zinc ore is required since typical zinc content in zinc ore is 50%. Thus, the actual "actual TC" to zinc price ratio was 23.2% in 2010 and 19.5% in 2011.

Exhibit 37. The ratio of actual TC to LME zinc price



Source: Metal Bulletin, Leading Research Center

Silver waste – the new growth catalyst

Silver waste - New catalyst for Youngpoong

Silver waste is by far the most lucrative by-product extracted from zinc waste. Korea Zinc produces silver directly, but YP currently produces only silver waste. Since silver waste is extracted from the waste, production cost is very low. YP currently generates annual revenue of about W120bn.

Silver waste is extracted from industrial waste created in the process of zinc smelting

One ton of zinc ore yields 0.5 ton of zinc and 0.5 ton of waste. An extraction rate for silver waste from zinc ore is 3.5% (7.0% from the waste). YP processed 646,000 tons of zinc ore in 2011E, from which 22,610 tons of silver waste was extracted. Silver waste is currently selling at about W5m/MT and the company generated and estimated revenue of W113.1bn in 2011.

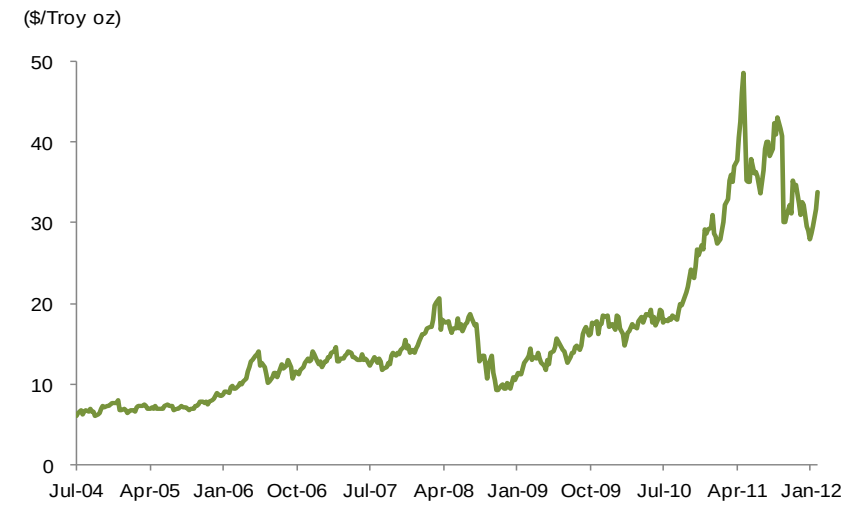
We expect silver price to rise 8.8% yoy to $38.3/troy oz in 2012F from $35.2/troy oz in 2011. However, a year-average exchange rate is expected to drop 7.9% yoy to W1,017/$ in 2012 from W1,104/$ in 2011. Thus, silver price in KRW term would basically remain about the same in 2012

Exhibit 38. Silver byproduct production trend

	2008	2009	2010	2011F	2012F	2013F
Zinc production capacity (MT)	310,000	310,000	324,000	380,000	380,000	380,000
Operating ratio	94.7%	90.4%	89.4%	85.0%	91.2%	91.4%
Zinc output (MT)	293,488	280,095	289,539	323,000	346,560	347,320
Ore use (MT)	586,976	560,190	579,078	646,000	693,120	694,640
Silver byproduct/Zinc concentrate (%)			3.0%	3.5%	3.5%	3.5%
Total extracted silver by product (MT)			17,372.3	22,610.0	24,259.2	24,312.4
Silver byproduct price (Wm/MT)			3.0	5.00	5.11	5.01
Silver byproduct price ($/MT)			2,603	4,527	4,707	4,926
Silver byproduct price/Silver price (%)			0.40%	0.40%	0.40%	0.40%
Silver byproduct sales (Wbn)			**52.3**	**113.1**	**123.9**	**121.7**
CME silver price ($/Troy Oz)	14.9	14.7	20.2	35.2	36.6	38.3
Silver price (Wm/MT)	529.3	603.9	752.5	32.2	32.2	32.2
W/$ currency exchange rate (Yr-avg)	1,101.3	1,276.4	1,156.3	1,249.9	1,276.4	1,251.7

Source: Company data, Leading Research Center

Exhibit 39. Silver price trend (CME) (US$/Troy oz)



Source: Bloomberg

II. Equity method gains from 26.91% of Korea Zinc

Two companies generating equity method gains – Korea Zinc and Korea Nickel

As sources of equity method gains, YP has 26.91% of Korea Zinc and 13.0% of Korea Nickel.

Exhibit 40. Young Poong's affiliate companies

(Wbn)	Business category	Shares (%) (2011.9)	Revenue (2010)	Net profit (2010)	Market Cap. (2012.2)
Korean Zinc	Zinc, silver, lead	26.9%	3,129.1	490.8	7,680.1
Korea Nickel	Nickel	13.0%	282.9	0.7	120.0
Total			**3,412.0**	**491.5**	**7,800.1**

Source: Company data

But virtually all of equity gains were provided by Korea Zinc. In 2011, an estimated equity method gain is W196.6bn, of which W195.5bn was derived from Korea Zinc. Such contribution by Korea Zinc is expected to continue.

99% of equity method gains generated by Korea Zinc

Exhibit 41. Equity method gains from subsidiaries

(Wbn)	Shares (%)	2011E	2012A	2013A
Korean Zinc net profit	26.9%	726.6	744.5	801.2
Equity method income		**195.5**	**200.3**	**215.6**
Korea Nickel net profit	13.0%	8.0	9.0	10.0
Equity method income		**1.0**	**1.2**	**1.3**
Total equity method income		**196.6**	**201.5**	**216.9**

Source: Company data, Leading Research Center

Given 26.91% stake in Korea Zinc, Youngpoong could be viewed as the de-facto largest zinc smelter in the country

YP has 26.91% of Korea Zinc, the largest zinc producer with estimated 2011 revenue of W4.64tr and W726.6bn in net profit. Given that Youngpoong is the largest shareholder of Korea Zinc, YP could be viewed as the actual largest zinc producer in the country.

A hike in silver price made silver the largest revenue generating product for Korea Zinc

The major product of Korea Zinc is zinc, but the recent increase in silver price made silver the major product. The year-average silver price rose from $14.7/troy oz in 2009 to $20.2/troy oz in 2011 to $35.2/troy oz in 2012. As a result, silver revenue began to exceed zinc revenue in 2012 and such a trend is expected to continue.

Exhibit 42. Korea Zinc annual earnings forecast (GAAP non-consolidated)

(Wbn)	2005	2006	2007	2008	2009	2010	2011E	2012F	2013F
Revenue	1,376	2,153	2,571	2,454	2,575	3,129	4,641	4,868	5,137
Zinc	618	1,334	1,395	988	951	1,190	1,289	1,341	1,437
Lead	210	230	477	497	491	526	671	720	765
Silver	212	327	356	532	734	897	1,908	1,999	2,093
Gold	185	42	51	56	107	128	187	202	210
Bronze	40	79	102	121	128	189	229	232	247
Others	111	141	190	260	165	199	356	374	385
Operating profit	157	352	493	493	386	504	794	803	863
Profit before taxes	120	520	565	365	510	615	908	931	1,001
Net profit	71	425	422	283	414	491	727	744	801
Profit margin (%)									
OPM	11	16	19	20	15	16	17	17	17
Profit margin before taxes	9	24	22	15	20	20	20	19	19
NPM	5	20	16	12	16	16	16	15	16
Sales volume (t)									
Zinc	413,819	431,528	426,422	443,258	457,586	447,564	497,600	542,600	567,600
Lead	187,295	174,502	189,816	200,992	217,841	198,945	240,000	272,000	285,000
Silver	881	920	897	1,011	1,256	1,268	1,520	1,610	1,645
Gold	12	2	2	2	3	3	4	4	4
Bronze	10,283	12,641	15,586	16,687	19,747	21,877	22,205	22,871	23,786
Price									
Zinc	1,401	3,265	3,242	1,903	1,690	2,185	2,208	2,320	2,450
Lead	974	1,286	2,594	2,088	1,726	2,147	2,588	2,625	2,625
Silver	7.4	11.6	13.4	14.9	14.7	20.2	35.2	36.6	38.3
Gold	445	605	697	872	974	1,228	1,523	1,610	1,710
Bronze	3,681	6,740	7,139	6,959	5,178	7,543	9,595	9,850	9,950
KRW/USD exchange rate	1,024	955	929	1,101	1,276	1,156	1,104	1,085	1,017
ROE (%)		42.5	29.5	16.6	20.9	20.3	24.4	20.4	18.3
ROA (%)		25.5	19.3	12.2	17.1	16.3	19.8	17.2	16.0

Source: Company data, Leading Research Center

III. Subsidiaries

Eight subsidiaries are subject of consolidation

YP has eight subsidiaries that are subjects of consolidation. The fact that six of the subsidiaries are IT companies shows the management's will to diversify its business into high tech industry. The total revenue of subsidiaries was W1.51tr in 2010, but only W1.20tr was recorded in consolidated earnings after deducting inter-company transactions.

Exhibit 43. Analysis of Subsidiaries (2010)

Company	Services	shares (%)	Asset	Liability	Equity	Revenue	NP during the term
Young Poong Electronics	PCB production · sales	100.0	138.6	63.2	75.5	280.4	22.0
Young Poong Books	Sales of books	34.0	128.4	73.6	54.7	134.7	2.5
Young Poong Development	Real estate management	36.4	224.9	48.5	176.4	13.3	1.9
Signetics	Semiconductor packaging	23.3	248.8	104.0	144.8	238.7	19.6
Korea Circuit	PCB production · sales	37.4	216.0	95.6	120.4	244.1	6.2
Interfelx	PCB production · sales	15.6	295.4	141.6	153.7	419.2	31.7
Terranix	PCB production · sales	16.2	54.2	15.0	39.2	84.9	8.6
China Circuit (Tianjin)	PCB production · sales	100.0	68.3	47.6	20.7	97.7	5.3
Total			**1,374.6**	**589.2**	**785.4**	**1,513.0**	**97.7**

Source: Company data

Subsidiaries expected to show 21% increase in revenue in 2012

Subsidiary revenues that are subject of consolidation are expected to increase 21.0% yoy in 2012F and a further 19.0% in 2013F. As a result, the portion of subsidiary revenue is expected to increase to 63.9% of total consolidated revenue in 2013F from 58.1% in 2011.

Three of the subsidiaries are listed companies

Three of the eight subsidiaries are listed companies: Signetics (033170 KQ), Interflex (051370 KQ), and Korea Circuit (007810 KS). The market consensus of the listed companies claims that they have bright future growth prospect.

Exhibit 44. Earnings forecast for three listed companies

	Signetics (033170 KQ) IFRS non-consolidated				Interflex (051370 KQ) IFRS non-consolidated				Korea Circuit (007810 KQ)- GAAP non-consolidated		
(Wbn)	2010	2011E	2012F	2013F	2010	2011E	2012F	2013F	2010	2011E	2012F
Revenue	238.7	290.8	353.9	442.4	419.2	509.1	646.3	783	244.1	340	400
% chg yoy		22.0%	24.9%	18.9%		21.4%	26.9%	21.2%		39.3%	17.6%
PBT	20.5	27.9	37.7	49.3	36.1	36.5	62.8	73	6.3	11.9	24.8
Net profit	19.6	24.8	33.5	43.9	31.7	28	47.9	57.3	6.2	11.8	19.8
Total Asset	248.8	260.7	279.0	311.3	295.4	415.5	484.4	561.4	216		
Total Equity	144.8	169.7	203.3	247.1	153.7	227.7	271.2	322.3	120.4		
Total Liability	104.0	90.9	75.7	64.1	141.7	198.4	221.6	249.4	95.6		

Source: Company data, FnGuide, Leading Research Center

Give the track record for the past successful investments, the management is expected to make wise investments in the future as well

Strong balance sheet and annual FCF in the neighborhood of W100bn will turn YP into a net cash position in 2012. Such liquidity could be employed in acquiring IT companies for diversification and further growth.

Given the fact that the management has been very successful in the past investments, such as Korea Zinc, Signetics, Interplex, etc., we believe the likelihood of successful future investment is very high. Thus, we believe the management will continue to create value through not only its core business and investment assets, but also from existing and future addition of subsidiaries.

Earnings forecast and key assumptions

Zinc capacity increased from 310,000MT/yr in 2009 to 380,000MT/yr in 2011

YP produces zinc, silver waste, sulfuric acid, and also has rental income. But zinc is by far the most important product as it accounts for 80.7% of non-consolidated revenue and silver waste accounts for 10.6%.

The company increased zinc smelting capacity from 324,000MT/year in 2010 to 380,000MT/year in 2011. The year-average zinc price is expected to increase from $2,208/MT in 2011 to $2,320/MT in 2012F and then to $2,450/MT in 2013F. However, the year-average KRW/USD exchange rate is expected to drop from W1,104/$ in 2011 to W1,085/$ in 2012 and further down to W1,017/$ in 2013. As a result, zinc revenue is expected to drop slightly from W941.0bn in 2012F to W935.6bn in 2013F despite expected increase in zinc price.

Silver price will experience a similar symptom due to strengthening KRW.

The key assumptions employed in deriving at forecast for 2012F and 2013F are as follows.

Exhibit 45. Earnings forecast & Key Assumptions

	2005	2006	2007	2008	2009	2010	2011E	2012F	2013F
Revenue (Wbn)	**410.6**	**769.5**	**904.1**	**750.1**	**670.0**	**880.4**	**1,063.4**	**1,168.5**	**1,168.7**
Zinc	348.1	706.2	835.3	652.5	601.6	758.2	858.4	941.0	935.6
Silver						52.3	113.1	123.9	121.7
Sulfuric acid	10.2	8.0	7.3	33.8	8.9	10.7	26.5	27.1	28.1
Rental income	28.7	30.4	32.4	32.1	35.3	37.7	39.0	41.0	43.0
Others	23.6	24.9	29.1	31.7	24.2	21.5	26.5	35.6	40.2
Revenue from each product to total revenue (%)									
Zinc	84.8	91.8	92.4	87.0	89.8	86.1	80.7	80.5	80.1
Silver						5.9	10.6	10.6	10.4
Sulfuric acid	2.5	1.0	0.8	4.5	1.3	1.2	2.5	2.3	2.4
Rental income	7.0	3.9	3.6	4.3	5.3	4.3	3.7	3.5	3.7
Others	5.8	3.2	3.2	4.2	3.6	2.4	2.5	3.0	3.4
Productivity									
Zinc pro. Capa ('000 MT)	280	280	280	310	310	324	380	380	380
Zinc output ('000 MT)	237	232	258	293	280	290	323	350	350
Operating ratio	84.7%	82.7%	92.3%	94.7%	90.4%	89.4%	85.0%	92.0%	92.0%
Sales Volume ('000 MT)									
Zinc	232	230	257	294	294	287	318	347	348
Silver byproduct							22.6	24.3	24.3
Sulfuric acid	343	363	402	511	485	505	513	523	525
Price									
Zinc ($/MT)	1,401	3,265	3,242	1,903	1,690	2,185	2,208	2,320	2,450
Silver byproduct ($/MT)						2,603	4,527	4,707	4,926
Silver ($/Troy Oz)	7.4	11.6	13.4	14.9	14.7	20.2	35.2	36.6	38.3
Sulfuric acid (W'000/MT)	28.5	22.2	18.4	66.1	18.4	21.1	50.2	51.8	53.6
W/$ exchange rate (yr-avg)	1,024	955	929	1,101	1,276	1,156	1,104	1,085	1,017

Source: Bloomberg, Company data, Leading Research Center

Earnings tripod = zinc & silver + Korea Zinc + subsidiary

Adjusted OP to increase 38.5% in 2011 and 19.8% in 2012

YP has a solid earnings tripod, namely zinc & silver waste, equity method gains, and subsidiary earnings. YP's consolidated operating profit is expected to increase 38.5% yoy and EPS is expected to increase 35.1%. The growth is expected to continue in 2012F and 2013F as well: OP by 19.8% and 6.8% and EPS by 12.8% and 8.6% in each respective year.

OPM to jump from 4.3% in 2009 to 6.7% in 2011E

OPM is expected to improve from 4.3% in 2009 to 5.9% in 2010 and expected to maintain an average of 6.8% during 2011E to 2013F period. The main contributing factor is stronger zinc price and sales of lucrative silver waste.

Solid earnings tripod – zinc & silver, equity method gains, and subsidiaries

As for the reasons for increase in EPS (NP), the first reason is obviously zinc and silver waste. But bigger reason is the increase in equity method gains. Higher earnings of Korea Zinc translate to higher equity method gain for YP. The net equity method gains are expected to increase to W196.6bn in 2011E and W201.5bn in 2012F and further to W216.9bn in 2013F from W130.9bn in 2010.

Exhibit 46. 4Q11 Quarterly earnings forecast

(Wbn,%)	1Q11E	2Q11E	1Q12E	2Q12F	3Q12F	4Q12F	1Q12E QoQ(%)	1Q12F YoY(%)
Revenue	621.3	630.9	709.0	732.6	744.6	768.7	12.4	14.1
Operating profit	42.2	42.0	48.6	49.6	52.3	53.4	15.7	15.2
Profit before taxes	94.2	93.1	101.4	104.3	109.4	112.7	8.9	7.6
Net profit	76.3	76.8	79.3	81.5	86.3	88.7	3.3	3.9
OPM (%)	6.8	6.7	6.9	6.8	7.0	6.9	8.3	7.6
NPM (%)	12.3	12.2	11.2	11.1	11.6	11.5	4.3	3.8

Source: Company data, Leading Research Center

Exhibit 47. Annual earnings forecast

(Wbn,%)	2010	2011E	2012F	2013F	2011E yoy(%)	2012F yoy(%)	2013F yoy(%)
Revenue	2,075.1	2,539.8	2,954.9	3,258.8	22.4	16.3	10.3
Gross margin	225.6	299.7	354.6	391.1	32.8	18.3	10.3
Adj. operating profit	122.9	170.2	203.9	221.6	38.5	19.8	8.7
Profit before taxes	266.5	379.3	427.8	464.5	42.3	12.8	8.6
Net profit during the term	220.3	297.7	335.8	364.6	35.1	12.8	8.6
EPS	128,069	173,083	195,243	211,988	35.1	12.8	8.6
OPM (%)	5.9	6.7	6.9	6.8			
NPM (%)	10.6	11.7	11.4	11.2			
EPS change (%)	35.9	35.1	12.8	8.6			

Source: Company data, Leading Research Center

Section 9-1: Valuation – Peer Valuation

Valuation peer difficult to find given unique profit structure

Given that YP realizes 50% of PBT from equity method gains and subsidiary revenue accounts for 60% of total consolidated revenue, finding a peer is rather difficult.

We selected Korea Zinc as a peer since the business nature is most similar. We also selected POSCO (005490 KS) and Hyundai Hysco (010520 KS) since they are also in the metals industry while the nature of product is different.

As for the foreign peers, we selected Nyrstar of Belgium, Mitsui Mining of Japan, and Chihong-A of China.

Not so undervalued compare to peers, but true value of Youngpoong must take into account its investments

YP's OPM is an average among peers. But high equity method gains helped the company record one of the highest ROE among peers. However, PER valuation is in the lower range while EV/EBITDA is in the upper range.

However, such valuations have little meaning given that the best way to value YP is by considering the value of its investment assets as well as earnings from operation.

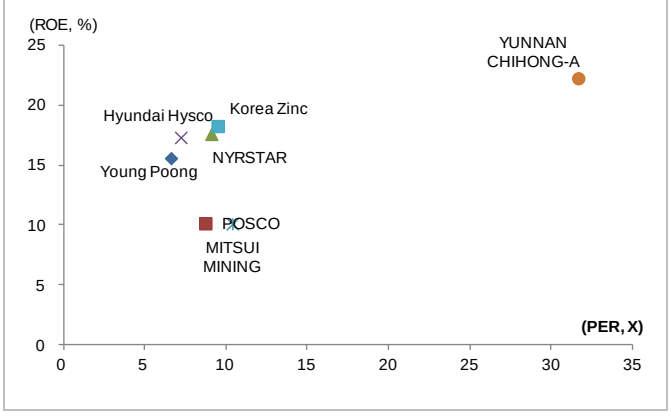
Exhibit 48. Peer group valuation

Company	Ticker	Country	Mkt. Cap. (US$m)	Revenue (million US$)				OPM (%)			
				09	10	11E	12F	09	10	11E	12F
Young Poong	000670 KS	Korea	2,075.0	1,345	1,795	2,300	2,724	4.3	5.9	6.7	6.9
Korean Zinc	010130 KS	Korea	6,439.7	2,510	3,323	5,029	5,046	13.2	14.6	17.2	17.7
POSCO	005490 KS	Korea	31,962.4	29,045	52,465	59,513	61,344	10.5	9.5	8.1	7.9
Hyundai Hysco	010520 KS	Korea	2,740.3	4,128	5,943	7,187	7,730	3.1	4.5	5.5	5.4
NYRSTAR	NYR BB	Belgium	1,610.5	2,320	3,577	4,113	4,239	1.9	4.1	4.5	7.6
MITSUI MINING	5706 JT	Japan	1,596.2	4,231	5,224	5,490	5,729	7.1	6.8	6.0	5.1

Company	PER (X)				EV/EBITDA (X)				P/B (X)				ROE (%)			
	09	10	11E	12F	09	10	11E	12F	09	10	11E	12F	09	10	11E	12F
Young Poong	5.7	6.6	7.3	6.5	5.9	6.1	7.6	6.4	0.8	1.0	1.2	1.0	15.6	15.6	17.7	16.4
Korean Zinc	8.7	10.2	10.0	9.5	6.3	6.3	6.3	5.5	1.7	1.8	2.1	1.7	19.6	19.6	20.9	18.3
POSCO	14.7	9.0	9.9	8.7	8.1	6.1	6.9	6.5	1.5	1.1	0.9	0.9	13.5	13.5	9.8	10.1
Hyundai Hysco	23.2	10.2	9.7	9.1	7.7	5.6	6.0	5.7	1.2	1.5	1.9	1.6	17.1	17.1	18.6	17.6
NYRSTAR	83.4	15.1	12.5	7.2	10.9	7.4	6.6	4.3	1.1	1.3	0.9	0.8	10.4	10.4	12.5	17.3
MITSUI MINING	11.5	7.8	6.3	10.4	6.0	6.2	5.2	6.1	1.4	1.3	0.9	0.9	21.3	21.3	9.0	10.1

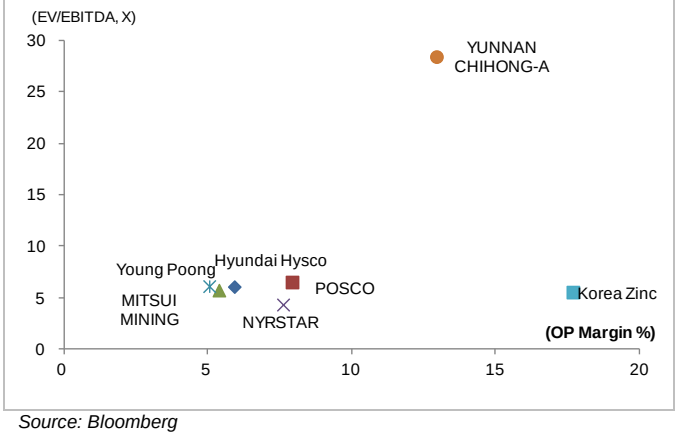
Source: Company data, Bloomberg, Leading Research Center (February 1, 2012)

Exhibit 49. Peer group PER vs. ROE



Source: Bloomberg

Exhibit 50. Peer group EV/EBITDA vs. OPM



Source: Bloomberg

Section 9-2: Valuation – Target price W2,300,000

On the back of management's indifference to shareholder concern and lack of transparency, share has been consistently undervalued compared to the market

During the past decade, YP consistently traded at a discount valuation compared to the market despite the fact that it has huge investment assets and strong operation.

One of the main reasons is that YP lacks transparency and has little concern for shareholders. YP is notorious for not accepting IR meetings. Consequently, investors' only access to company data is annual report and other legally required reports. However, in-depth analysis of a company requires a face to face meeting with a company because relying solely on annual report has its limits. The final result is that investors are not trading YP shares despite its value.

Unless the management changes its philosophy to shareholder friendly, the state of undervaluation will persist

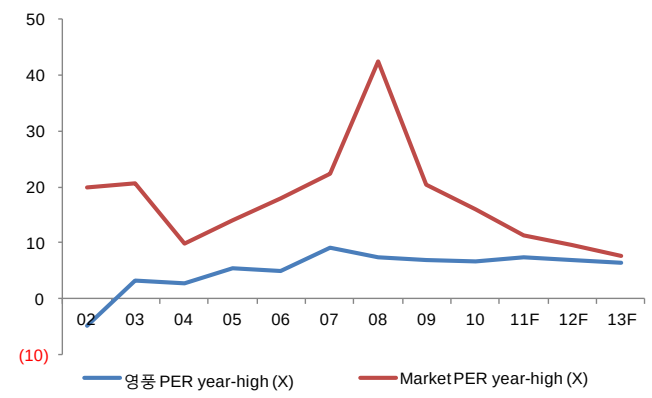
Unless the management begins to care for shareholder concern, the market could continue to trade the shares at a discount to the market and YP's true value could be shadowed by management's indifference.

Exhibit 51. Youngpoong Valuation VS. Market Valuation

(X, %)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012F	2013F
Young Poong year-high PER	(4.8)	3.1	2.7	5.4	4.8	9.0	7.4	7.0	6.7	7.3	6.8	6.3
Market year-high PER	19.9	20.7	9.9	13.9	17.9	22.3	42.4	20.4	16.0	11.4	9.6	7.7
Premium/(Discount) to market (%)	NA	(85.1)	(72.7)	(61.1)	(73.1)	(59.5)	(82.7)	(65.7)	(58.1)	(35.6)	(29.4)	(18.9)
Young Poong year-high EV/EBITDA (X)	7.6	6.0	3.6	3.1	6.7	8.2	6.6	6.9	6.5	7.7	6.8	6.0
Market year-high EV/EBITDA (X)	8.7	7.9	7.1	9.8	11.3	14.2	12.3	11.3	10.3	10.6	8.7	7.9
Premium/(Discount) to market (%)	(12.8)	(23.2)	(49.1)	(68.6)	(40.5)	(42.3)	(46.1)	(38.4)	(36.7)	(27.9)	(22.3)	(23.2)

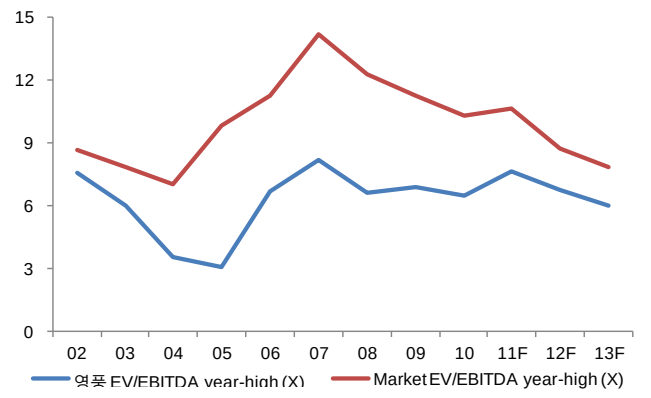
Source: Company data, Leading Research Center
**Market = KOSPI + KOSDAQ,*

Exhibit 52. YP yr-high PER vs. Market yr-high PER (x)



Source: Fnguide, Leading Research Center

Exhibit 53. YP yr-hi EV/EBITDA vs. Market yr-hi EV/EBITDA(x)



Source: Fnguide, Leading Research Center

Sum of Parts Valuation is the suitable tool given revenue and profit structure

We believe Sum of Parts Valuation is the most suitable valuation tool for YP given its earnings and asset composition. We first calculated a fair value of YP's operations, namely zinc & silver and subsidiaries. We applied an average PER of metal industry and IT industry the 2012F core earnings. Then we calculated market value of 26.91% stake in Korea Zinc and an office building (Youngpoong Building). As for YP Building, we subtracted rental income from core operation income to avoid double counting.

Fair value of Youngpoong = value of operation + value of investments

The company's 2012F net profit from core operation (zinc & silver + subsidiaries) is expected at W164.8bn. Given that a consensus PER for metals industry is 9.3x and consensus PER for IT industry is 10.7x, the average PER applicable to YP's core earnings is 10.0x. Applying 10.0x PER to W164.8bn in core earnings, the value of operation is calculated at W1.65tr.

Korea Zinc's current market capitalization is W7.68tr, thus 26.91% investment is valued at W2.01tr. Youngpoong Building is one of the prime office building in Seoul and the value is assessed at W511.1bn. Thus, the total value of investment assets is W2.58tr.

Fair price assessment = W2,300,000/sh

Thus, a fair value of YP is W4.23tr, a sum of W1.65tr in value of operation and W2.58tr in value of investments. Subtracting the net debt of W14.3bn, we derive at the final value of YP at W4.21tr.

Dividing the fair value of Youngpoong by the total outstanding shares amount to 1,842,040 shares, we derive at a per share value of YP at W2,300,000 per share, which implies 73.1% appreciation potential.

Exhibit 54. Calculation for Young Poong's fair share price

Calculating Young Poong's fair share price		
Young Poong's 2012F net profit (Wbn)	(A)	335.8
Equity method income's contribution to net profit	(B)	158.2
Rental income's contribution to net profit	(C)	12.9
Net profit excluding equity method income and rental income	(D=A-B-C))	164.8
Average PER of Metal Ind. PER and IT Ind. PER	(E)	10.0
Fair value of Core Business excluding profit from investment assets	**(F=D*E)**	**1,647.8**

The value of investment assets		
Korean Zinc's Mkt. Capital	(G)	7,680.1
The value of 26.91% of Korean Zinc's stocks	(H=G*26.91%)	2,066.7
Estimated value of Young Poong building	(I)	511.1
Total value of investment assets	**(J=H+I)**	**2,577.8**

2011E Net debt	(K=F+J)	4,225.6
Young Poong's EV	(L)	14.3
Number of outstanding shares (m)	(M=K-L)	4,211.3
Korean Zinc's Mkt. Capital	(N)	1,842.0
Young Poong's fair value per share (W)	(O=M/N)	**2,286,215**

Source: Company data, Leading Research Center

Summary of financials

Income statement

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Revenue	**405.2**	**513.9**	**622.9**	**822.5**	**1,361.9**	**1,620.1**	**1,731.8**	**1,702.7**	**1,706.9**	**2,075.1**	**2,539.8**	**2,954.9**	**3,258.8**
% chg yoy	(1.0)	26.8	21.2	32.0	65.6	19.0	6.9	(1.7)	0.2	21.6	22.4	16.3	10.3
COGS	381.9	491.5	578.9	725.9	1,205.1	1,524.0	1,577.6	1,538.0	1,527.5	1,849.4	2,240.1	2,600.3	2,867.7
Gross profit	**23.3**	**22.4**	**44.0**	**96.6**	**156.9**	**96.1**	**154.1**	**164.7**	**179.4**	**225.6**	**299.7**	**354.6**	**391.1**
GP margin (%)	5.8	4.4	7.1	11.7	11.5	5.9	8.9	9.7	10.5	10.9	11.8	12.0	12.0
SG&A	**41.7**	**46.5**	**51.2**	**55.2**	**92.7**	**79.3**	**94.3**	**95.0**	**105.4**	**102.8**	**129.5**	**150.7**	**169.5**
Adjusted OP	**(18.4)**	**(24.1)**	**(7.2)**	**41.4**	**64.1**	**16.8**	**59.8**	**69.8**	**74.0**	**122.9**	**170.2**	**203.9**	**221.6**
Adj. OP margin (%)	**(4.6)**	**(4.7)**	**(1.2)**	**5.0**	**4.7**	**1.0**	**3.5**	**4.1**	**4.3**	**5.9**	**6.7**	**6.9**	**6.8**
Net other incomes	2.6	4.0	47.4	22.8	15.3	11.1	17.4	(17.6)	29.2	17.3	17.2	23.9	25.2
Reported OP	**(18.4)**	**(24.1)**	**(7.2)**	**41.4**	**64.1**	**16.8**	**59.8**	**69.8**	**74.0**	**122.9**	**187.4**	**227.8**	**246.8**
Net equity method gains	9.7	20.2	10.4	30.0	18.1	111.4	112.2	75.1	110.3	130.9	196.6	201.5	216.9
Interest incomes	6.8	2.8	3.3	2.4	7.7	13.0	38.4	53.9	9.7	8.9	9.2	10.2	11.0
Interest expenses	23.6	21.9	16.2	20.4	20.3	23.9	25.9	22.3	15.9	13.4	13.9	11.7	10.1
Profit before tax	(22.9)	(19.0)	37.7	76.2	84.9	128.4	202.0	158.9	207.3	266.5	379.3	427.8	464.5
Tax	(3.2)	4.5	9.3	21.4	26.6	24.3	50.4	15.3	47.0	46.2	81.5	92.0	99.9
Tax rate (%)	13.8	(23.7)	24.8	28.1	31.3	19.0	24.9	9.6	22.7	17.3	21.5	21.5	21.5
Net profit	**(19.7)**	**(23.5)**	**28.4**	**54.8**	**58.3**	**104.1**	**151.6**	**143.6**	**160.3**	**220.3**	**297.7**	**335.8**	**364.6**
Controlling	(12.1)	(18.6)	23.4	52.7	31.4	114.4	164.7	141.2	143.8	188.6	256.5	287.9	314.3
Non-controlling	(7.6)	(4.9)	4.9	2.1	26.9	(10.4)	(13.1)	2.4	16.5	31.7	41.2	47.9	50.3
Other comprehensive inc.	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 comprehensive	(19.7)	(23.5)	28.4	54.8	58.3	104.1	151.6	143.6	160.3	220.3	297.7	335.8	364.6

Balance Sheet

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Current Assets	**154.4**	**152.4**	**186.1**	**212.8**	**480.0**	**553.3**	**528.5**	**557.9**	**605.1**	**746.4**	**842.5**	**962.9**	**1,094.4**
Cash and equivalents	12.2	5.9	3.7	5.5	40.2	65.6	101.3	153.1	117.5	164.5	154.2	143.3	155.8
Marketable securities	22.1	12.0	19.7	35.3	103.2	44.9	39.5	46.5	47.8	94.3	97.3	116.9	147.5
A/R	25.8	24.8	47.3	47.1	109.9	118.1	125.9	107.4	161.2	144.9	182.9	221.6	257.4
Inventory	84.0	101.6	107.5	110.9	200.1	298.9	240.2	227.4	245.5	303.7	360.7	423.9	467.4
Other current assets	10.3	8.1	7.9	13.9	26.6	25.7	21.5	23.4	33.1	39.0	47.5	57.2	66.2
Non-current Assets	**844.8**	**795.4**	**812.4**	**833.4**	**1,026.2**	**1,277.7**	**1,308.5**	**1,297.5**	**1,443.5**	**1,688.3**	**1,932.7**	**2,189.5**	**2,459.8**
Tangible Assets	608.4	543.8	523.0	541.4	672.0	750.4	739.2	748.4	774.0	872.0	900.1	924.2	946.8
LT financial assets	235.1	243.8	78.8	65.0	120.4	145.3	94.3	29.6	46.5	44.8	48.3	54.3	61.7
Inv in related co's	0.0	0.0	197.5	207.3	192.6	341.5	439.0	485.9	587.5	733.8	941.6	1,154.3	1,382.3
Other non-curr assets	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 Assets	1.2	7.8	13.0	19.7	41.2	40.5	36.1	33.6	35.5	37.7	42.8	56.8	69.0
Non-current Assets	**999.2**	**947.8**	**998.4**	**1,046.2**	**1,506.3**	**1,831.0**	**1,837.0**	**1,855.4**	**2,048.7**	**2,434.7**	**2,775.3**	**3,152.4**	**3,554.2**
Current Liabilities	**197.1**	**190.1**	**187.1**	**191.7**	**342.0**	**487.4**	**437.6**	**425.2**	**455.7**	**594.7**	**593.2**	**600.5**	**599.8**
Account payables	52.0	64.7	80.9	78.4	123.6	160.7	171.4	142.1	190.2	247.9	282.3	322.4	358.5
ST int bear debt	104.1	98.1	83.2	83.6	170.2	236.3	160.1	191.7	178.6	225.7	175.7	135.7	95.7
Other current liabs	41.0	27.2	23.0	29.6	48.2	90.4	106.1	91.4	86.9	121.0	135.2	142.3	145.6
Non-current Liabilities	**292.7**	**285.8**	**276.5**	**291.0**	**362.0**	**425.4**	**368.5**	**325.3**	**311.7**	**321.3**	**335.2**	**321.6**	**310.5**
LT payables	14.2	11.8	1.5	1.7	1.9	2.0	0.3	0.1	0.7	1.0	1.5	1.5	1.5
LT int bear debt	208.1	193.9	187.5	169.0	187.2	189.9	134.9	129.0	96.1	92.6	92.6	72.6	52.6
Other LT liabs	70.3	80.1	87.5	120.3	172.8	233.5	233.4	196.3	0.0	227.6	241.1	247.5	256.4
Total liabilities	**489.8**	**475.9**	**463.6**	**482.7**	**704.0**	**912.8**	**806.2**	**750.5**	**767.4**	**916.0**	**928.4**	**922.1**	**910.3**
Paid-in capital	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Capital surplus	349.5	349.3	351.2	351.2	350.7	267.3	266.8	280.4	283.3	296.5	296.5	296.5	296.5
Other comprehens inc	42.4	30.9	58.5	31.0	52.5	154.7	120.8	65.1	80.0	87.0	87.0	87.0	87.0
Others	(11.3)	(11.2)	(11.2)	(16.3)	(16.3)	(16.3)	(7.1)	(6.9)	(21.3)	(18.6)	(18.6)	(18.6)	(18.6)
Retained earnings	109.4	84.4	117.0	166.7	180.8	293.8	454.9	589.9	729.1	913.4	1,204.8	1,534.4	1,892.7
Non-controlling	10.1	9.3	10.1	21.7	225.4	209.5	186.2	167.2	201.0	231.1	270.3	325.6	376.1
Total shareholder equity	**509.4**	**471.9**	**534.8**	**563.5**	**802.3**	**918.2**	**1,030.8**	**1,104.9**	**1,281.3**	**1,518.7**	**1,849.3**	**2,234.1**	**2,642.9**

Free cashflow analysis

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Net profit	**(19.7)**	**(23.5)**	**28.4**	**54.8**	**58.3**	**104.1**	**151.6**	**143.6**	**160.3**	**220.3**	**297.7**	**335.8**	**364.6**
Add non-cash exp	**57.8**	**59.9**	**16.9**	**22.6**	**128.8**	**3.7**	**4.7**	**25.4**	**20.8**	**11.8**	**(10.3)**	**(18.2)**	**(28.5)**
Depreciation	62.5	75.3	62.8	61.4	113.6	109.8	136.6	117.6	116.6	128.3	137.1	149.1	158.6
Allowance for reserves	4.8	4.0	4.1	3.9	10.4	10.6	8.5	8.7	8.7	10.3	2.6	2.8	3.0
Net FX gains	(4.8)	(0.0)	(1.9)	(2.8)	(0.9)	0.8	(4.2)	(22.0)	(2.1)	(2.4)	(1.0)	(1.0)	(1.0)
Net eq method gains	9.7	20.2	10.4	30.0	18.1	111.4	112.2	75.1	110.3	130.9	150.0	170.0	190.0
Others	(4.6)	0.7	(41.5)	(15.5)	21.9	(4.5)	(32.4)	(47.8)	3.7	1.8	1.0	1.1	1.1
Add. Changes in OP asset	**(11.3)**	**(18.6)**	**(6.3)**	**21.5**	**(34.6)**	**11.4**	**81.7**	**(39.0)**	**(25.7)**	**40.4**	**(60.6)**	**(61.8)**	**(43.4)**
Investment in WC	(4.4)	3.9	12.2	5.7	106.8	69.9	(61.6)	(2.0)	23.7	(15.8)	60.6	61.8	43.4
Others	15.6	14.7	(5.9)	(27.2)	(72.3)	(81.3)	(20.1)	41.0	1.9	(24.5)	0.0	0.0	0.0
Cash from operation	**26.8**	**17.9**	**38.9**	**98.9**	**152.6**	**119.2**	**238.0**	**130.0**	**155.4**	**272.5**	**226.8**	**255.9**	**292.8**
Capital expenditure	99.4	43.9	46.3	78.7	86.5	190.5	119.1	121.0	152.0	230.7	165.0	173.0	181.0
Free cash flow	**(72.6)**	**(26.1)**	**(7.4)**	**20.2**	**66.1**	**(71.3)**	**118.9**	**8.9**	**3.4**	**41.8**	**61.8**	**82.9**	**111.8**
Dividend	2.0	2.1	2.4	2.4	6.4	4.8	4.0	4.2	5.1	6.3	6.3	6.3	6.3
Net investments	0.0	0.0	0.0	0.0	0.0	0.0	(7.6)	(0.1)	(10.4)	10.0	6.2	5.8	6.0
Share issues	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
Increase in debt	33.2	(20.2)	(21.3)	(18.1)	104.8	68.8	(131.3)	25.7	(46.0)	43.7	(55.0)	(60.0)	(60.0)
Others	3.7	(1.5)	(27.2)	(7.0)	81.6	(5.7)	(12.8)	(17.1)	10.7	(10.8)	1.6	2.1	(3.6)
Net cash flow	**1.9**	**(6.2)**	**(2.2)**	**1.9**	**34.7**	**25.4**	**35.6**	**51.8**	**(35.6)**	**46.9**	**(10.3)**	**(10.9)**	**12.5**
Beginning cash	10.3	12.2	5.9	3.7	5.5	40.2	65.6	101.3	153.1	117.5	164.5	154.2	143.3
Ending cash	12.2	5.9	3.7	5.5	40.2	65.6	101.3	153.1	117.5	164.5	154.2	143.3	155.8

Stability Ratios

	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Current ratio	78.3	80.2	99.5	111.0	140.4	113.5	120.8	131.2	132.8	125.5	142.5	161.0	182.3
Quick ratio	7.9	3.9	2.0	2.6	8.4	11.9	19.2	27.4	19.4	22.0	18.5	15.2	14.2
A/R collection period (days)	22.8	25.6	27.6	34.8	30.5	27.5	24.6	28.8	32.7	28.8	29.1	29.6	14.4
A/P period (days)	51.5	41.8	45.5	39.9	28.5	32.0	39.9	37.5	39.2	41.9	42.1	41.4	42.7
Interest bear debt (Wbn)													
Cash & equiv (Wbn)	312.3	292.1	270.7	252.6	357.4	426.2	295.0	320.7	274.7	318.3	268.3	208.3	148.3
Net int. bear debt (Wbn)	34.3	17.9	23.4	40.9	143.4	110.6	140.8	199.6	165.3	258.8	254.0	264.1	302.4
Net debt/equity (%)	278.0	274.2	247.3	211.7	214.0	315.6	154.2	121.1	109.3	59.5	14.3	(55.8)	(154.1)
Liability/equity (%)	54.6	58.1	46.2	37.6	26.7	34.4	15.0	11.0	8.5	3.9	0.8	(2.5)	(5.8)
Interest coverage (X)	96.1	100.8	86.7	85.7	87.7	99.4	78.2	67.9	59.9	60.3	50.2	41.3	34.4
Current ratio	(0.8)	(1.1)	(0.5)	2.8	3.5	0.7	2.6	3.5	5.1	11.8	16.6	25.9	35.5

Valuations and margins

	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
EV/EBITDA (X)	61.9	53.1	48.5	25.9	15.0	21.8	13.2	13.7	13.4	10.0	8.0	6.8	6.0
EPS (W)	(10,832)	(12,890)	15,565	31,641	33,692	60,114	87,600	82,954	94,248	128,069	173,083	195,243	211,988
EPS y-y (%)	N/A	N/A	N/A	103.3	6.5	78.4	45.7	(5.3)	13.6	35.9	35.1	12.8	8.6
PER (X)	N/A	N/A	85.4	42.0	39.4	22.1	15.2	16.0	14.1	10.4	7.7	6.8	6.3
BVPS (W)	279,400	258,843	293,336	325,528	463,474	530,402	595,454	638,255	753,208	882,908	1,075,103	1,298,832	1,536,516
P/BVPS (X)	4.8	5.1	4.5	4.1	2.9	2.5	2.2	2.1	1.8	1.5	1.2	1.0	0.9
Dividend (W)	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,500	2,500	2,500	2,500	2,500	2,500
Yield (%)	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
ROE (%)													
ROA (%)	(3.8)	(4.8)	5.6	10.0	8.5	12.1	15.6	13.4	13.4	15.7	17.7	16.4	15.0
GP margin (%)	(2.0)	(2.4)	2.9	5.4	4.6	6.2	8.3	7.8	8.2	9.8	11.4	11.3	10.9
OP margin (%)	5.8	4.4	7.1	11.7	11.5	5.9	8.9	9.7	10.5	10.9	11.8	12.0	12.0
NP margin (%)	(4.6)	(4.7)	(1.2)	5.0	4.7	1.0	3.5	4.1	4.3	5.9	6.7	6.9	6.8
EBITDA margin (%)	(4.9)	(4.6)	4.6	6.7	4.3	6.4	8.8	8.4	9.4	10.6	11.7	11.4	11.2
ROIC (%)	10.9	10.0	8.9	12.5	13.1	7.8	11.3	11.0	11.2	12.1	12.1	11.9	11.7
WACC (%)													
ROIC less WACC (%)	(2.1)	(3.9)	(0.7)	3.8	4.9	1.2	3.7	5.2	4.4	6.8	7.8	7.9	7.5
EV/EBITDA (X)	6.6	8.1	4.3	8.0	10.3	10.6	9.3	9.1	6.7	10.0	6.4	7.1	8.7
EPS (W)	(8.7)	(12.0)	(5.0)	(4.2)	(5.4)	(9.4)	(5.6)	(3.8)	(2.3)	(3.2)	1.3	0.8	(1.3)

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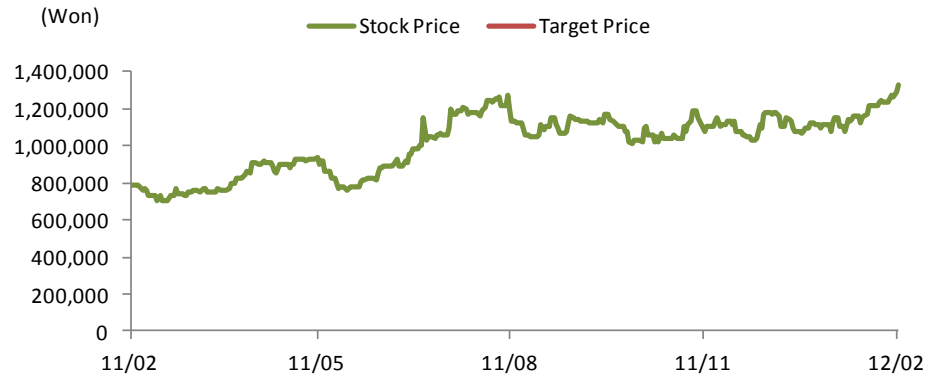
▶ Ratings and target price history in past two years

Young Poong (000670 KS)	
Date	2012-2-6
Ratings	BUY
Target Price	2,300,000

▶ Target price changes in past two years



▶ Investment period and ratings

Company

BUY	The stock is expected to outperform the market by at least 15%p over the next 12 months.
HOLD	The stock is expected to either outperform or underperform the market by less than 15%p over the next 12 months.
SELL	The stock is expected to underperform the market by at least 15%p over the next 12 months.

Industry

OVERWEIGHT	Industry indicators are expected to outperform the market by at least 5%p over the next 12 months.
NEUTRAL	Industry indicators are expected to be in line with the market within 5%p over the next 12 months.
UNDERWEIGHT	Industry indicators are expected to underperform the market by at least 5%p over the next 12 months.

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