LEADING

Mid-Cap Research

Aurora (039830 KQ)

November 28, 2011

Striking it rich with Yoohoo & Friends

Analyst : Beau Song

bksong@leading.co.kr

82-2-2009-7193

Leading Traffic Light: Green

Aurora is…

- ✓ A global plush toy manufacturer
- ✓ Specializes in toy design and produces toys based on its original characters
- ✓ 90% of revenue is based on exports

Green light because:

- ✓ 15% YoY revenue growth expected from 2012 with low-cost productivity
- ✓ Only domestic toy company with globally recognized brand name

Growth potential:

- ➢ Successfully entered into the animation market with an animation series featuring characters from the Yoohoo & Friends product line
- ➢ Increasing brand awareness not only in developed markets, but also emerging markets like China

Management & shareholder concern:

- ➢ Maximized competitiveness through its "one-stop solution" business model
- ➢ Targeting a yearly dividend payout ratio of over 30%

Earnings Outlook:

- ➢ YoY net profit is likely to increase 200% in 2011E
- ➢ Investment pressure decreasing with the completion of investment in the UK branch and completion of a new production plant in Indonesia.

Valuation:

- ➢ PER of 11.0X derived by applying 30% premium to 2012F consensus market PER of 8.4X
- ➢ Target price of W6,800 per share with 65.9% share price appreciation potential

CAVEAT EMPTOR!!! – Watch out for…

- ➢ 20% of revenue is exposed to FX changes, so instability in the KRW/US$ rate could have an impact on earnings

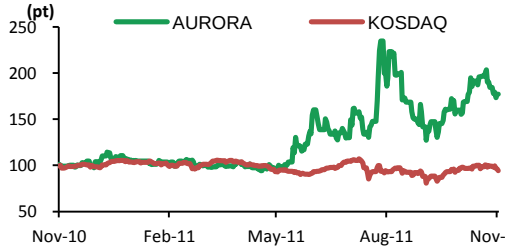
BUY

Target Price (KRW)	**W6,800**
Current Price (KRW)	**W4,100**
Upside Potential	**65.9%**

Key Data	**November 25, 2011**
Sector	Durable Apparel
KOSDAQ	479.55
Market Cap. (Wbn)	44.1
Shares Outstanding	10.8
Foreign Ownership	0.0
52 Week High (W)	5,430
Low (W)	2,185
60D Turnover (Wbn)	2.7
Major Shareholders	**(%)**
H.Y. Noh et. al.	48.5
Treasury	2.8

Performance (%)	**1M**	**6M**	**12M**
Absolute	12.9	76.7	77.1
Relative	16.6	77.5	82.8

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	52.9	8.3	4.5	8.5	0.9	87	(53.8)	47.3	8.30	1.9	0.7
2009	52.2	(1.2)	3.1	5.9	0.7	66	(23.8)	62.0	12.81	1.2	0.7
2010	73.6	40.9	5.6	7.6	1.6	145	118.7	28.4	7.30	2.5	0.7
2011E	74.4	1.1	7.2	9.7	4.7	434	200.5	9.4	5.98	7.1	0.6
2012E	85.6	15.1	8.8	10.3	6.6	616	41.8	6.7	4.7	9.6	0.6
2013E	98.7	15.3	10.4	10.5	8.0	739	20.0	5.5	3.8	11.0	0.6

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Key check points for Aurora

✓ **Successfully entered into the animation business with the *Yoohoo & Friends* animated series**

Recently, interest in Korean animation has increased owing to the worldwide success of Pororo the Little Penguin created by Iconix. Aurora has also entered the animation market with an animated series based on characters from its hit Yoohoo & Friends product line, which became so popular that it was aired or is now airing in 42 countries. Thanks to the success of the animated series, sales and brand awareness have skyrocketed. The animation business is expected to be a near-future growth driver on top of steady toy sales (page 12).

✓ **One Stop Solution: the only domestic toy company with an all-encompassing toy production system**

Aurora is the only toy company in the world that oversees market research, original character design, manufacturing, and sales. This all-encompassing business model is called the "one-stop solution" strategy. The Head office in Korea manages design and marketing. Sales orders from the US, UK, and Hong Kong are passed through the head office to the company's low-cost production subsidiaries in China and Indonesia. Because of this strategy, Aurora can quickly react to new market trends through individual market research, giving it a competitive advantage over other toy companies which are merely resellers of OEM products. This "one-stop solution strategy" has enabled Aurora to increase its brand awareness in developed markets (page 15).

✓ **Competitive edge: labor cost reduction**

Aurora has production plants in China and Indonesia, which have low labor costs. It also has sales subsidiaries in the US and Europe, which have greater purchasing power. The company has effectively managed its production plants to mitigate costs further. While other toy manufacturers were hit with wage increases in China, Aurora was able to avoid this by moving its manufacturing facilities inland, where wages remain relatively low. With half of the toys made in China, and the other half in Indonesia, production costs are hedged between the two countries. Aurora is building an additional plant in Indonesia, which is expected to maintain a labor cost lower than that of China (page 16).

✓ **Entering the Chinese market in 2012 to further promote sales growth**

Until now, Aurora's main customer bases have been the developed US and European markets. However, the company is attempting to expand its territory into the emerging BRICs markets, where spending on toy purchases is accelerating. Through 3Q11, the company's exports to Russia have increased to 10.4% of total sales from 6.1% in 2010. In addition, the company plans to aggressively penetrate the Chinese market. In June 2011, Aurora opened its first directly managed shops in Shanghai and Beijing after the overwhelmingly favorable reaction to the Yoohoo and Friends product line at Expo 2010 in Shanghai. In 2012, the company plans to increase the number of stores in China to 20. Considering that the Chinese toy market has grown rapidly in recent years, Aurora's entrance into the Chinese market is likely to generate further sales growth. Revenue related to China will be more noticeable beginning in January 2012 (pages 17 & 18).

✓ **Target price of W6,800 per share with 65.9% share appreciation potential**

The large revenue increase experienced in 2010 began a trend that will likely continue through 2013F because of the company's entrance into the Chinese market and increased brand awareness in other markets. 2011E earnings will be lower than forecasted due to a slight earnings slump in 3Q11. However, net profit through 3Q11 is already 118% higher than profit in 2010. The YoY net profit increase for 2011E is expected to be over 200%. The company received sizable premium to the market PER in 2009 and 2010. Given the strong fundamentals of the company, we believe that Aurora deserves 30% premium to the 2012F consensus market PER of 8.4X, which renders 11.0X. We applied this to the 2012F EPS of W616 per share to derive our fair value assessment of W6,800 per share, which implies 65.9% share appreciation potential from the current price of W4,100 per share (page 19).

Section 1: Company snapshot

Global character toy manufacturer

A character toy designer and manufacturer that was publicly listed in 2001

Founded in 1981 and publicly listed on the KOSDAQ in 2001, Aurora is a producer of plush toys. Through the years, the company has produced teddy bears and other stuffed animals, but has recently begun to focus on character toys. Aurora's greatest success to date is the world famous Yoohoo & Friends product line, which accounted for 20% of total toy sales revenue in 2010. The company also produced a popular animated series featuring characters in the Yoohoo line, which was aired or is airing in 42 countries.

Aurora is an export oriented company with about 90% of sales coming from overseas. The company's major markets have been the US and Europe because those markets have a higher purchasing power. In 2010, they accounted for 42% and 30% of sales respectively.

Chart 1. Aurora's Products

Source: Company data, Leading Research Center

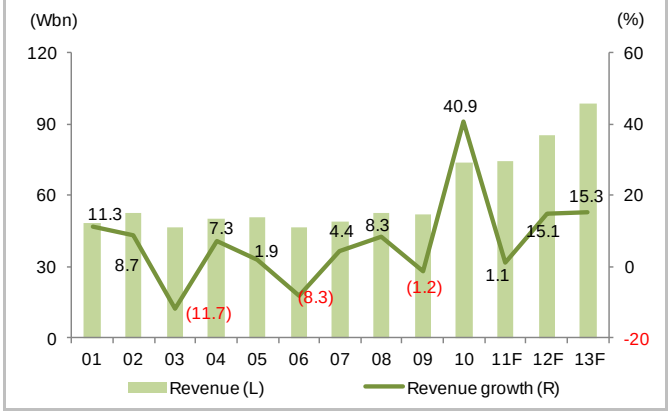
Between 2001 and 2009, the company generated stable revenue between W40bn and W50bn. However, In 2010, revenue increased by 40.9% YoY thanks to the popularity of the "Yoohoo & Friends" product line, and a general price increase for Aurora products.

2011E YoY sales growth likely to exceed 200%

Revenue in 3Q11 was lower than expected because of an unstable exchange rate. This means that 2011 earnings will be lower than what was forecasted at the beginning of the year. However, net profit through 3Q11 has already exceeded 2010 YoY net profit by 118%. Using this projection, 2011E YoY net profit is likely to exceed 200%, especially since toy companies usually perform well during the Christmas season. This indicates that in 4Q11, the company will likely recover from the 3Q11 slump.

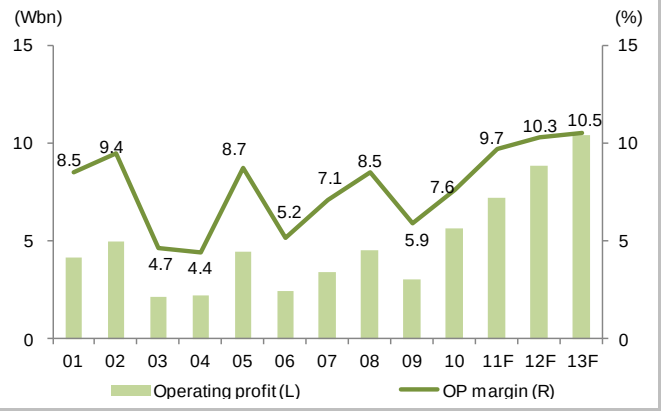
In 2012F and 2013F, the company is likely to show annual growth rates of around 15% with steady growth in OP and NP, based on solid revenue from the US and Europe, and revenue growth in China.

Chart 2. Revenue and growth trend



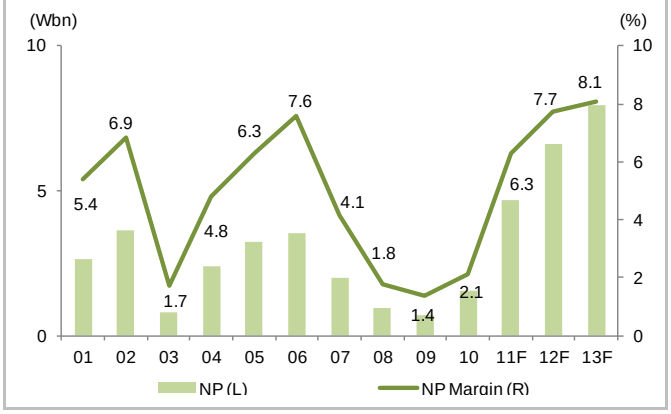
Source: Company data, Leading Research Center

Chart 3. Operating profit and OPM trend



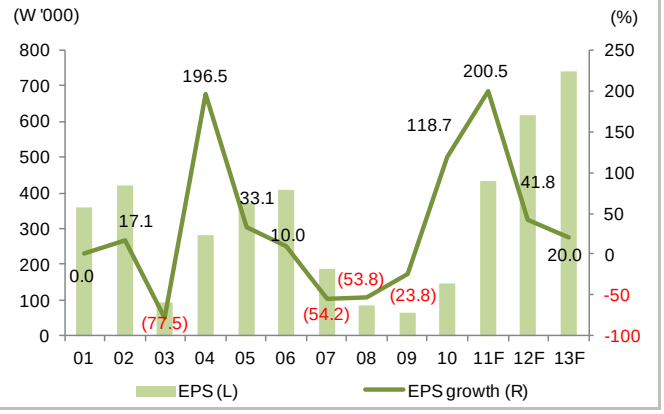
Source: Company data, Leading Research Center

Chart 4. Net profit and NP margin trend



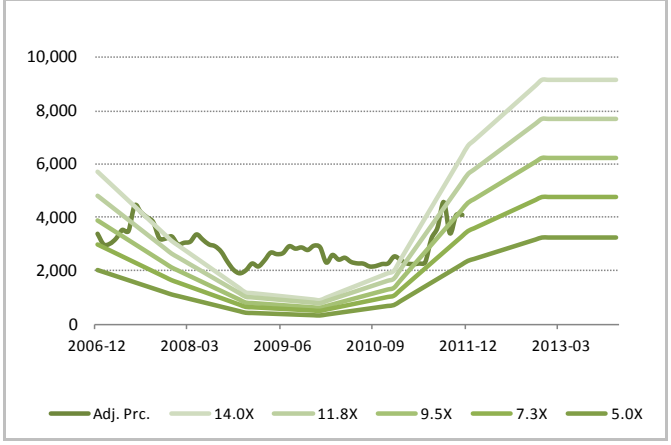
Source: Company data, Leading Research Center

Chart 5. EPS and EPS growth



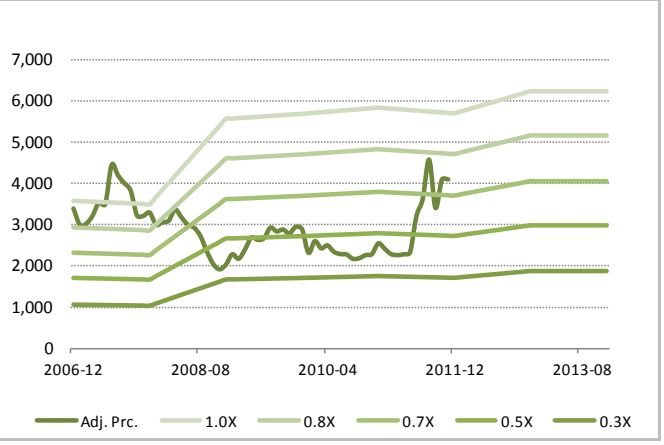
Source: Company data, Leading Research Center

Chart 6. PER Band



Source: FnGuide

Chart 7. PBR Band



Source: FnGuide

Section 2: Is the company a value creator?

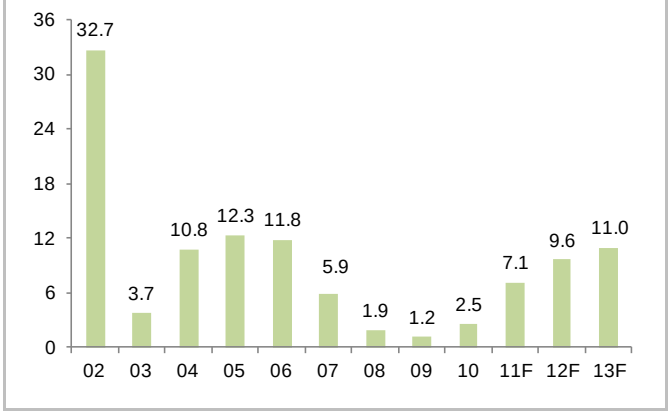
ROE turnaround from 2009 low

Rising ROE beginning in 2010

Since 2000, Aurora's capital has increased continuously based on profit surpluses. However, due to the drop in exchange rates, interest expenses, and investment expenses, ROE continually decreased between 2006 and 2009. After net profit and ROE hit a record low in 2009 because of the global financial crisis, Aurora's ROE and earnings started to recover again with a net profit increase of 118.7% YoY in 2010

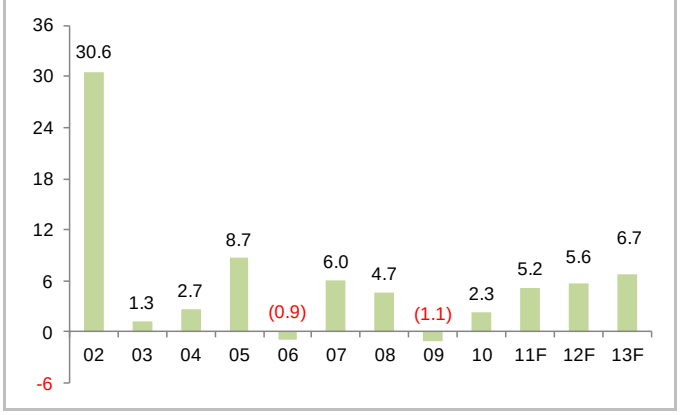
The main cause of the earnings recovery is an improvement in the global economy, and sales increases in developed markets due to the popularity of Yoohoo & Friends. Investment in the UK subsidiary accounts for a huge share of non-operating expenses, but this was completed in 4Q10. With the investment complete, ROE will likely improve in 2011E and will likely reach 11.0 by 2013F.

Chart 8. ROE (%)



Source: Company data, Leading Research Center

Chart 9. ROIC less WACC (%)



Source: Company data, Leading Research Center

ROIC expected to rise from 2011E

More value creation from 2011E

20% of revenue is exposed to FX changes, so volatility in the exchange rate could impact earnings. OP is also influenced by exchange rate changes, operating assets, and operating liabilities, thus, ROIC is also influenced by these.

In 2009, ROIC decreased to 4.5% from 11.6% in 2008 because of the global recession. WACC however remained at a similar level to 2008, which further explains why they company did not generate value in 2009. With the 82.7% YoY OP increase in 2010, ROIC less WACC returned to the black.

Between 2011E and 2013F, basic value creation is expected to continually rise, based on steady earnings growth and a decrease in investment expenses (such as animation production costs). ROIC less WACC should increase to around 7%.

Section 3: Free cashflow generation and dividend policy?

Improvement in FCF

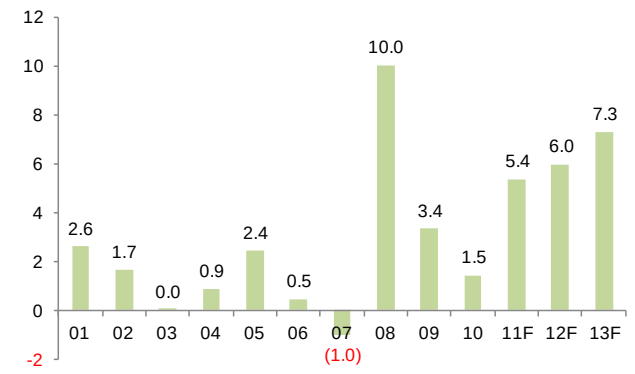
Continued improvement in FCF expected

Aurora's FCF remained at a relatively low level until 2007. In 2008, FCF surged to an exceptional W10.0bn because of increases in non-cash expenses, operating assets, and operating liabilities. After that, FCF decreased again in 2009 and 2010 due to poor net profit and an increase in capex, respectively. Nevertheless, FCF was still relatively healthy in those years, at W3.4bn and W1.5bn respectively.

Completion of investment in UK, improved profitability due to sales growth

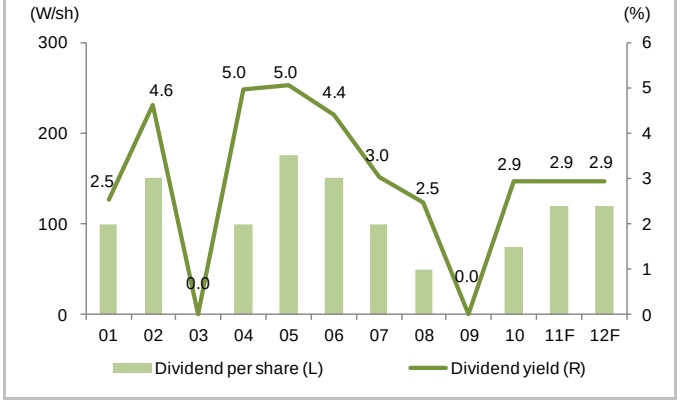
From 2011, FCF is likely to improve thanks to net profit growth following a general increase in revenue and the completion of investment in the UK subsidiary. Through 2013F, Aurora is likely to continue to generate a favorable FCF between W5.0bn~W7.5bn.

Chart 10. Free cashflow trend (Wbn)



Source: Company data, Leading Research Center

Chart 11. Dividend per share and yield trend



Source: Company data, Leading Research Center

Aurora's dividend payment per share follows the trend of NP. The company did not pay dividends in 2003 and 2009, because NP was below W1.0bn. In 2007, dividend payment per share decreased even though NP was at a relatively healthy level at W2.0bn because the company issued new shares, increasing the total number of shares to 10.76mn from 8.64mn.

Dividend yield is relatively low at 2%, but the payout ratio has consistently been more than 30% since 2005

Aurora has maintained a fairly high cash dividend payout ratio, with 57.2% in 2008 and 47.2% in 2010. With the exception of the years in which NP was low (such as in 2009), the company has consistently maintained a payout ratio of 30% or higher. Aurora is also considering a payout ratio of over 30% in 2011E. Price-dividend yield was maintained at 2-3% and is likely to remain at this level.

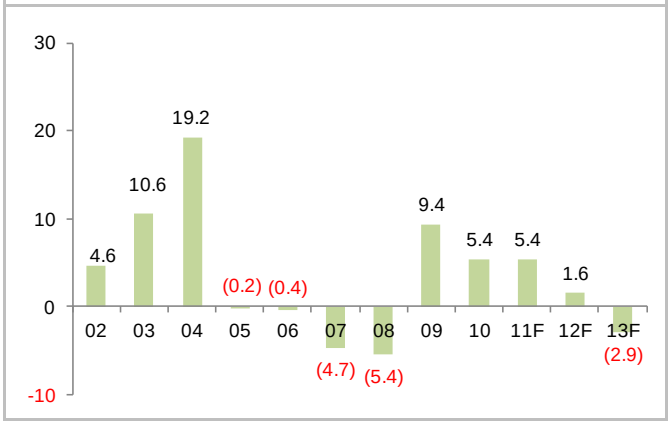
Section 4: Are the debt and interest burden manageable?

Limited pressure from debt and interest

5.4% debt/equity ratio expected in 2011E as the total amount of debt is unlikely to change

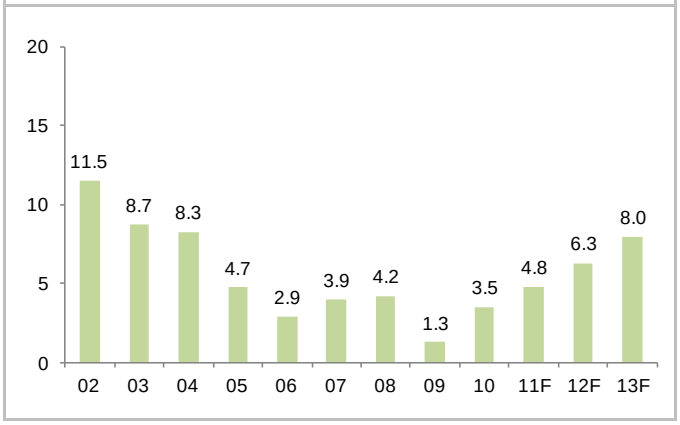
In 2010, Aurora had a fairly healthy net debt/equity ratio of 5.4%. In 2011, net interest-bearing debt increased as long-term debt increased by W5.0bn. In the near future, increases in cash & equivalents and decreases in net interest-bearing debt are expected, based on continuous NP improvement. The net debt/equity ratio is likely to be negative by 2013F.

Chart 12. Net debt/equity ratio (%)



Source: Company data, Leading Research Center

Chart 13. Interest coverage (X)



Source: Company data, Leading Research Center

Table 1. Interest bearing debt and interest coverage trend

(Wbn)	02	03	04	05	06	07	08	09	10	11F	12F	13F
Interest bearing debt	7.1	7.8	9.0	7.1	3.7	3.8	20.2	23.0	20.3	18.8	16.9	14.4
Cash & equivalents	6.1	5.5	4.6	7.1	3.8	5.5	23.4	17.2	16.9	15.1	15.8	16.6
Net int bearing debt	1.0	2.3	4.4	(0.1)	(0.1)	(1.8)	(3.3)	5.8	3.4	3.7	1.1	(2.2)
Net int bear debt/eq (%)	4.6	10.6	19.2	(0.2)	(0.4)	(4.7)	(5.4)	9.4	5.4	5.4	1.6	(2.9)
Interest expenses	0.4	0.3	0.3	0.9	0.8	0.9	1.1	2.4	1.6	1.5	1.4	1.3
Interest coverage (X)	11.5	8.7	8.3	4.7	2.9	3.9	4.2	1.3	3.5	4.8	6.3	8.0

Source: Company data

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

No additional share issue since 2007

Raised W6.2bn by issuing additional shares in 2007

Aurora raised W6.2bn by issuing an additional 2.12mn shares in 2007. Since then, no further shares have been issued and there are no plans to issue more shares in the future.

Table 2. Capital raised through stock issuance

(W bn)	01	02	03	04	05	06	07	08	09	10	Incr. during '01-10
Paid-in capital	4.3	4.3	4.3	4.3	4.3	4.3	5.4	5.4	5.4	5.4	5.4
Paid-in cap in excess of par	3.9	3.9	3.9	3.9	3.9	3.9	9.1	9.1	9.1	9.1	9.1
Capital raised thru stock issue	**8.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**6.2**	**0.0**	**0.0**	**0.0**	**14.4**

Source: Company data

Issued BW in 2002 with 2007 expiration date

In November 2002, the company issued a 5-year BW. The BW has expired as of November 2007. There are no further plans to issue additional BWs.

Section 6: What is the management philosophy?

Management philosophy centered on the global market

Chairman H. Y. Noh is Aurora's founder and largest shareholder with 44.6% equity in the company.

Systematic business model based on low-cost production

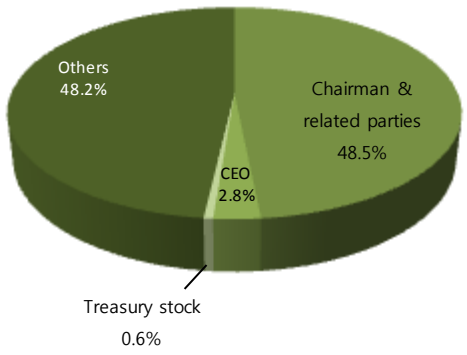
From the company's early days, Aurora was able to obtain a fundamental competitive edge by targeting the developed US and European markets, and by building its factories in developing countries. This has worked because the developed markets have a high purchasing power for toys, and the developing countries have low labor costs. Also, Aurora moved beyond simple toy production and developed in-house design, and individual market research. This enables it to quickly match its products with changing trends, strengthening its competitive edge.

Korea was once a plush-toy exporting powerhouse in the 1970s and '80s. Since then, Korea's plush-toy industry has declined considerably, as most companies have moved their production facilities to China or Indonesia. Despite this fact, Aurora's unique business model and its effort to develop its brand have made it a global company.

Continuous diversification efforts

CEO Gi Seon Hong runs the company with a management philosophy that is centered on the global market. While Aurora's primary products are still plush toys, the company is diversifying into other business areas, including animation and games based on Aurora's characters.

Chart 14. Shareholders (%)



Source: Company data, Leading Research Center

Chart 15. CEO Profile

Mr. Gi Seon Hong

Period	Experience
2008~current	CEO, Aurora
2000	Director of US subsidiary, Aurora
1994	Marketing manager, Aurora
1986	Marketing, Aurora

Source: Company data

Section 7: FX exposure and sensitivities

About 20% of revenue exposed to FX fluctuation

A 1% fluctuation in the W/$ exchange rate will cause a 2.7% change in 2011E OP

Even though Aurora generates about 90% of its revenue from exports, only 20% of revenue is exposed to FX fluctuation. This is because overseas expenses amounting to 70% of revenue are paid in foreign currency. Our FX sensitivity test shows that 1% fluctuation the in KRW/US$ exchange rate will cause a 2.7% change in the company's operating profit in 2011E.

Table 4. 2011E FX sensitivity

% chg in KRW/US$ rate	-5%	-1%	Base	1%	5%
Year-avg KRW/US$	1,028	1,071	1,082	1,093	1,136
Revenue (Wbn)	71.1	73.7	74.4	75.1	77.7
Operating profit (Wbn)	5.6	6.3	6.5	6.6	7.3
NP (Wbn)	3.7	4.4	4.6	4.8	5.5
EPS (W)	344	409	425	441	507
P/E (X)	11.9	10.0	9.6	9.3	8.1
Revenue change (%)	(4.5)	(0.9)	0.0	0.9	4.5
OP change (%)	(13.5)	(2.7)	0.0	2.7	13.5
NP change (%)	(19.2)	(3.8)	0.0	3.8	19.2
EPS change (%)	(19.2)	(3.8)	0.0	3.8	19.2

Source: Company data, Leading Research Center

Table 5. 2012F FX sensitivity

% chg in KRW/US$ rate	-5%	-1%	Base	1%	5%
Year-avg KRW/US$	979	1,020	1,030	1,040	1,082
Revenue (Wbn)	81.4	84.4	85.2	86.0	89.0
Operating profit (Wbn)	7.3	8.1	8.3	8.5	9.3
NP (Wbn)	5.4	6.2	6.4	6.6	7.4
EPS (W)	505	579	598	616.2	690.3
P/E (X)	8.1	7.1	6.9	6.6	5.9
Revenue change (%)	(4.5)	(0.9)	0.0	0.9	4.5
OP change (%)	(12.1)	(2.4)	0.0	2.4	12.1
NP change (%)	(15.5)	(3.1)	0.0	3.1	15.5
EPS change (%)	(15.5)	(3.1)	0.0	3.1	15.5

Source: Company data, Leading Research Center

Table 6. 2013F FX sensitivity

% chg in KRW/US$ rate	-5%	-1%	Base	1%	5%
Year-avg KRW/US$	1,002	1,044	1,055	1,066	1,108
Revenue (Wbn)	93.4	96.9	97.8	98.7	102.2
Operating profit (Wbn)	8.9	9.8	10.1	10.3	11.2
NP (Wbn)	6.7	7.7	7.9	8.1	9.0
EPS (W)	625	711	732	754.0	840.0
P/E (X)	6.6	5.8	5.6	5.4	4.9
Revenue change (%)	(4.5)	(0.9)	0.0	0.9	4.5
OP change (%)	(11.5)	(2.3)	0.0	2.3	11.5
NP change (%)	(14.7)	(2.9)	0.0	2.9	14.7
EPS change (%)	(14.7)	(2.9)	0.0	2.9	14.7

Source: Company data, Leading Research Center

Section 8: Operations Overview and earnings forecast

Company overview

Character toy company that was publicly listed in 2001

Founded in 1981 and listed on the KOSDAQ in 2001, Aurora is a maker of plush toys, with a specialization in character toys. It is an export oriented company with 90% of its revenue coming from exports. In 2010, 40% of its revenue was generated from sales in the US market, and 30% from sales in the European market. However, in 2011E, only 16% of the company's revenue is expected from the European market due to the financial crisis in the EU. The company originally focused on developed markets, because they have higher toy purchasing power. However, Aurora recently started to increase its market share in emerging markets as toy purchases are accelerating.

A one-stop-solution integrating all aspects of the toy industry

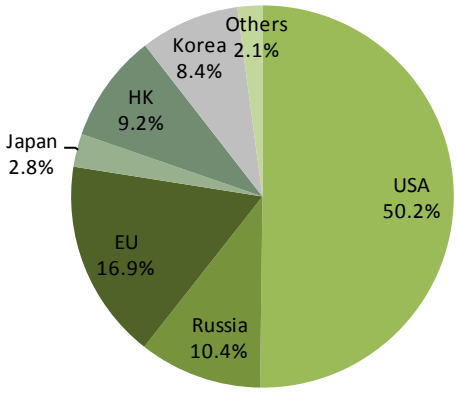
Aurora's one-stop solution business model integrates all aspects of the toy market, including market research, design, development, production, sales, and after service. Aurora built its own low-cost production base and can quickly respond to new trends. It is the only toy company in the world that does everything in-house, as other toy companies are merely marketing companies that distribute OEM products.

Aurora's main products are original plush toys. Plush toy revenue accounts for more than 90% of total revenue, and 85% of exports are generated by Aurora's original brand. Additionally, Aurora generates revenue from new fabric materials and character licensing.

Concentration on character plush toys

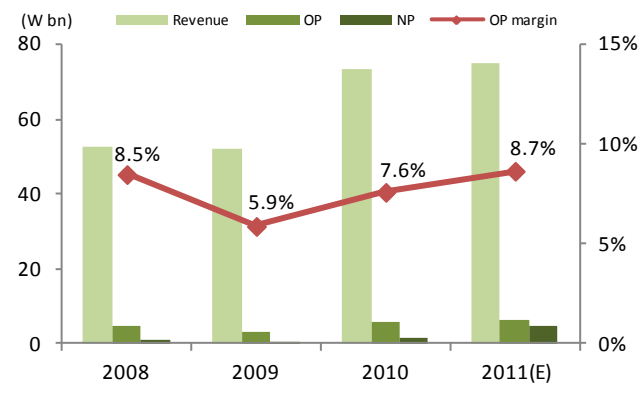
Aurora's main concentration is on its original plush toys. Plush toy revenue accounts for 85% of exports and more than 90% of total revenue. Additionally, Aurora generates revenue from character licensing and the development of new fabric materials. While Aurora also sells teddy bears and other plush toys, it is focused on original character toys. Its most successful characters are part of the Yoohoo & Friends product line. These characters were featured in an animated series produced between 2009 and 2011. The series was aired or is airing in 42 different countries. Revenue from the Yoohoo line accounted for 20% of Aurora's total toy revenue in 2010.

Chart 16. Revenue breakdown by region (3Q11)



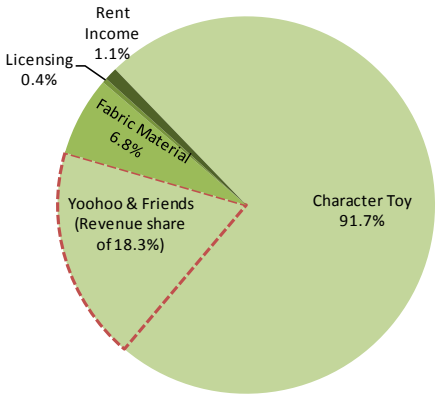
Source: Company data, Leading Research Center

Chart 17. Annual Revenue & OP trend



Source: Company data, Leading Research Center

Chart 18. Revenue breakdown by product (2010)



Source: Company data, Leading Research Center

Chart 19. Hit character "Yoohoo & Friends"

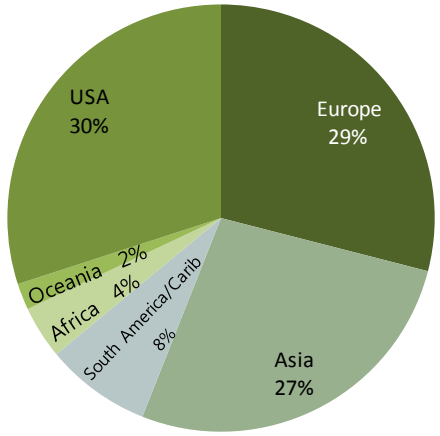
Source: Company data

Global toy industry outlook

Global toy market size outlook: stable

Aurora's main products are plush toys aimed at children younger than 6 years old. The types of toys that young children can play with are limited. Therefore a sudden collapse in the market for these types of toys is very unlikely. Also, as long as there is a stable population of children, stable revenue growth is expected. According to the NDP Group (a US research agency), the global toy market size was about $77bn in 2008, and is expected to grow to $80bn in 2012F.

Chart 20. Global toy market by region (2008)



Source: NDP Group

Chart 21. Global toy market size outlook ($bn)

Source: NDP Group, KTIC, Leading Research Center

Increasing child population in developed markets

The toy industry is mostly focused on developed markets. The US and Europe account for roughly 60% of worldwide toy revenue, even though they account for only 9% of the world's children.

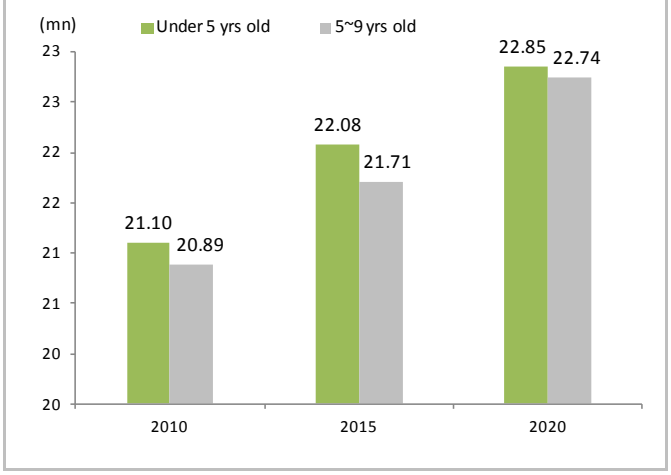
There is an optimistic outlook for the toy industry as the population of children in the developed markets is increasing. According to the US Census Bureau, the population of children under the age of 5 is expected to increase by 4.6% before 2015, and children aged 5-9 are expected to increase by 3.9%. Between 2015 and 2020, these segments are expected to increase by 3.5% and 4.8% respectively. As toy consumption in the developed markets is expected to remain relatively large, this indicates stable growth for the toy industry.

High sales increases for plush toys in the US market in 2010

In 2010, plush toy consumption growth was highest among all traditional toys in the US market

Plush toys, Aurora's main product, are included in the traditional toy category. While it might appear that traditional toys are less popular than newer toys like video games and electronic toys, in actuality, traditional toys remain popular with young children, generating steady revenue growth. This is evidenced by the 18% YoY revenue increase for plush toys in the US, the world's largest toy market, in 2010. The increase was the largest among all types of toys.

Chart 22. US child population outlook



Source: U.S. Census Bureau

Chart 23. US toy sales comparison in 2009, 2010 ($bn, %)

Type of toys	2009	2010	YoY
Plush	1.46	1.73	18.5
Building Sets	1.08	1.22	13.0
Outdoor Toys	2.61	2.83	8.4
Infant/Preschool	3.02	3.20	6.0
Dolls	2.62	2.77	5.7
Arts & Crafts	2.77	2.78	0.4
Games/Puzzles	2.37	2.17	(8.4)
Action Figures	1.61	1.37	(14.9)
Youth Electronics	0.71	0.56	(21.1)
Total Traditional Toy Industry	21.46	21.78	1.5
Total Video Games	19.70	18.58	(5.7)

Source: Toy Industry Association (U.S)

Increase in toy consumption expected in emerging markets

New growth from the BRICs markets

In emerging markets such as the BRICs, the growth rate in toy consumption is surging as overall economic situations improve. Toy sales increases were relatively steady in 2009, when the financial crisis caused decreases in toy sales in Europe and the US. Moreover, the growth rate for toy sales in emerging markets is far larger than the average global rate. For example, in China, the growth rate for the toy market over the past few years is expected to be almost 30%, according to a Chinese research group. Growth of this magnitude in the emerging markets will benefit the toy industry.

Main catalysts

One-stop solution: methodical business system

A strong competitive advantage over other companies through a unique business model

Aurora is the only toy company in the world that integrates all aspects of the toy industry into its “one-stop-solution” business model, which includes market research, designing original characters, production, and sales. While the headquarters in Korea manages design, development, and marketing, distribution subsidiaries in US, UK, and Hong Kong receive sales orders. These are then passed through the headquarters to manufacturing subsidiaries in countries with low labor costs, like Indonesia and China. With this system, revenue from distribution subsidiaries and costs from manufacturing subsidiaries are directly connected to those of the headquarters. On top of this low cost production system, the company utilizes about 45,000 retailers around the world for sales.

Product development tailored to the needs of the market

Competitors who specialize in OEM product sales without their own production capacity have a tendency to react somewhat slowly to market trends, sometimes introducing new products a bit late. However, Aurora conducts its own market research, design development, and distribution, allowing them to quickly produce a product that fits into current market trends. The company also considers the differences in regional markets, which allows them to develop and change design and marketing methods according to the individual customer’s needs. Moreover, Aurora can react quickly to customer sentiment. Thanks to this competitive edge, Aurora presents itself well in many toy fairs. These fairs are held in mid-January to late February and have a huge impact on a toy company’s performance in the latter half of the year. Aurora consistently receives positive feedback at these fairs.

Aurora survived the near-death of the Korean plush toy industry

Although Korea, was a major plush toy exporter in the ‘70s and ‘80s, the Korean toy industry dwindled once companies moved manufacturing facilities to China and Indonesia. In this unfavorable environment, Aurora was able to thrive because of its unique business model. Because of the one-stop-solution strategy, Aurora is the only domestic toy company that has obvious brand awareness in global markets.

Strengthening global brand awareness

Ranked #2 in the US market thanks to a positive response at toy fairs

Aurora has focused more on global markets than on the domestic market, strengthening its global brand awareness. According to Gift Beat, a research agency for gift preferences in the US, Aurora placed 3rd in brand awareness in 2008 and 2009. It further secured its place in foreign markets by rising up to 2nd place in 2010.

Rise in overseas sales

Thanks to the *Yoohoo & Friends* animated series which was aired or is airing in 42 countries since 2009, the popularity of the Yoohoo line has skyrocketed. The Yoohoos accounted for 20% of revenue in 2010, with about 15 million units sold worldwide by the end of the year. The second season of *Yoohoo & Friends* was aired in the US in 2011. Also, Aurora licenses and merchandises the characters actively. Revenue in domestic markets is also increasing. Domestic revenue in 2010 increased by 53% YoY and the revenue share in the domestic market increased by 3%p. The main causes for these increases are: the procurement of large distributors like E-Mart and Home Plus, and the strengthening of brand awareness through the *Yoohoo* animated series and the Aurora KINTEX exhibition. Aurora will continue to strengthen its presence in the domestic and emerging markets with further development of hit characters.

Global network: competitive edge in production costs

Global network:
Production in China and Indonesia
Sales offices in US, UK, and Hong Kong

Aurora has many foreign distribution subsidiaries and manufacturing subsidiaries. Because Aurora owns most of its foreign real estate rather than leasing it, the company has a relatively large portion of real estate assets. These include the headquarters building in Korea, distribution subsidiaries in the US and Hong Kong, and a manufacturing subsidiary in China. The company also owns 99.2% and 80.8% of its Indonesian manufacturing subsidiary and UK distribution subsidiary respectively. This system allows Aurora to generate better profit by having manufacturing subsidiaries in Indonesia and China where labor cost is lower, and by having distribution subsidiaries in the US and Europe where toy market sizes are larger.

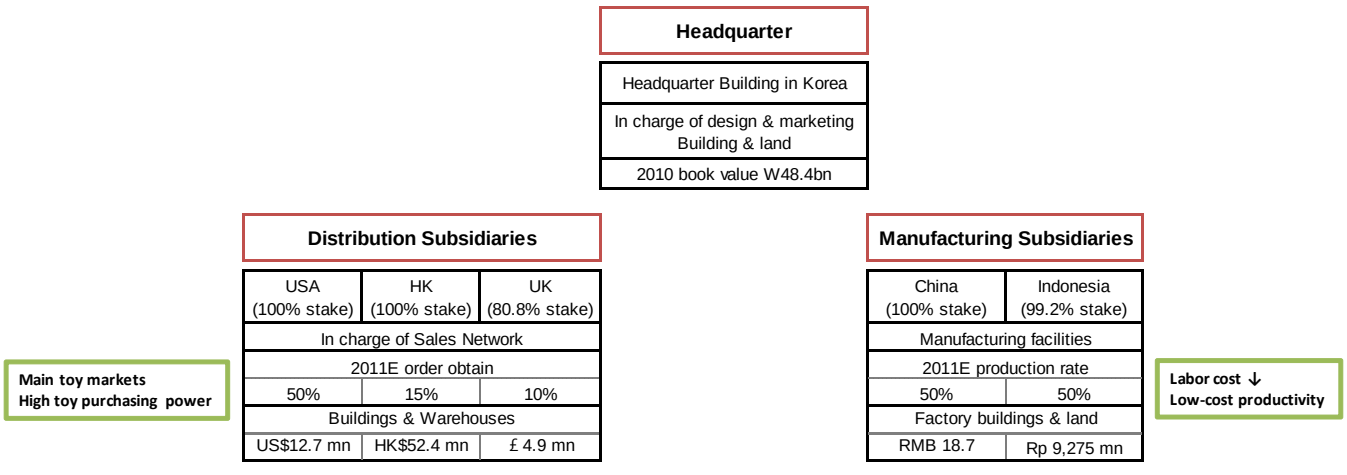
Because of rising labor costs in China, the company relocated its production facilities inland where wages remain lower

Aurora also has a competitive edge through its management of manufacturing facilities. While other toy manufacturers were hit by wage increases in China, Aurora moved its facilities inland, where the wages are still low. While 80% of the world's toys were affected by the wage increase, Aurora was able to avoid this. Aurora further hedges its production capacity by producing half of its toys in China, and the other half in Indonesia.

In the second half of 2011, there was a large-scale strike in Guangdong province, the largest export manufacturing base in China, resulting in a rise in labor costs and the appreciation of the RMB. Aurora is less likely to be affected by these developments than other toy companies.

Currently, Aurora is planning to move its manufacturing out of China, where the labor market is growing unstable. By moving to Indonesia, Aurora will likely be more profitable even if there is an increase in labor costs, since the rupee/dollar exchange rate is relatively high. Aurora built another plant in Indonesia which was completed in late November. It should increase output by 50% when fully operated.

Chart 24. Aurora's global network



Source: Company data, Leading Research Center

3Q11 Earnings and 2011 outlook

3Q11 earnings lower than expected, NP growth higher than expected

3Q11 net profit of 0.5bn won, lower than expected due to FX changes

Aurora generated revenue of W17.8bn, operating profit of W0.9bn and net profit of W0.5bn in 3Q11. Aurora's operating profit and net profit were lower than expected because of the depreciation of the Korean won in July and August. This affected the company's margin as most of its products are bought in dollars. In addition, increased expenses related to business expansion into China caused the company's sluggish operating profit and net profit.

However, a cumulative net profit of W3.6bn was recorded. This figure has already exceeded that of last year's by 131% and it is likely that the company will record a YoY net profit growth of more than 200%% in 2011E.

Toy sales most dependent on holiday season

In addition, toy sales are most commonly generated in the final quarter of the year, especially during the Christmas, season. The company can thus be expected to recover from its sluggish showing in 3Q11.

Table 7. Quarterly Earnings

							3Q11	4Q11
(Wbn, %)	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11E	YoY(%)	YoY(%)
Revenue	22.2	20.4	17.9	18.1	17.8	20.6	(19.8)	1.0
Gross Profit	5.1	6.3	4.8	4.8	5.3	6.1	3.9	(3.2)
OP	2.0	1.4	2.0	2.0	0.9	2.3	(55.0)	64.3
PBT	1.8	(0.4)	1.9	1.9	0.6	1.6	(66.7)	N/A
Net Profit	1.5	(0.3)	1.6	1.4	0.5	1.1	(66.7)	N/A
OP Margin (%)	9.2	17.6	11.1	11.2	4.9	11.2	-	-
NP Margin (%)	6.5	N/A	9.2	8.0	2.8	5.2	-	-

Source: Company data, Leading Research Center

Market Expansion in China and Emerging Markets

Focusing on expansion into the BRICs markets

Aurora is currently focusing on market share expansion, in both developed and emerging markets. Emerging markets, like the BRICs, are expected to drive the growth of the world toy industry, since toy consumption in those markets is increasing rapidly based on general economic improvement. Aurora is planning a huge push in China, which is expected to change from a toy exporter to a toy importer.

Full-scale business in China in 2012F

Based on positive Chinese response to Yoohoo & Friends at EXPO 2010 in Shanghai, Aurora opened its first directly managed shops in Shanghai and Beijing in June 2011. In 2012, The company plans to increase the number of stores in China to 20. Considering that Hong Kong accounted for about 9% of revenue in 3Q11, revenue from all of China in 2012F is likely to be about 15% of the company's total revenue.

Considering that the Chinese toy market has grown very rapidly in recent years, Aurora's entrance into the Chinese market will likely produce further growth. Revenue from China will be more obvious from January 2012.

Increasing toy consumption in the Chinese market in 2012F

According to Research In China, a Chinese independent research group, the global toy market size in 2012 will be about W84.0bn. Their expectation exceeds the US based NDP's projection of W80.0bn. It seems that Research In China has a more accurate picture of the increasing trend in Chinese toy consumption. This trend will be beneficial to Aurora.

High sales, low marketing costs thanks to animation and toy fairs

Because Aurora sells its products mostly to distributors or wholesalers rather than end customers, marketing costs are fairly limited to toy fair and business travel expenses. Moreover, Aurora markets to children (the end customers) through its animation. Aurora says that it will employ the same marketing methods when it expands into emerging markets, so a sudden surge in marketing expenses is unlikely.

Continuous revenue growth is expected in 2012~2013F

2011E sales and operating profit to grow slightly, while net profit surges

2011E revenue is expected to grow slightly to W74.4bn (1.1% YoY), and OP is expected to grow to W6.5bn (16.1% YoY). NP is likely to skyrocket to W4.7bn (200.5% YoY)

Aurora is expected to continue to generate solid earnings in developed markets. The Korea/EU FTA resulted in a huge increase in domestic toy exports to Europe, and Aurora expanded its brand awareness there by introducing Yoohoo & Friends to La Maison de Doudou, France's internet shopping mall for children's products. It also participated in the Premium Korea special exhibition held in Harrod's Department Store in London.

In addition, revenue from the China market will be more obvious from January 2012, when Aurora starts full-scale sales in China. Profit from the Chinese market is expected to contribute to continuous business growth.

Table 8. Annual earnings and growth outlook

(Wbn, %)	Annual Earnings Outlook				YoY growth rate			
	10	11E	12F	13F	10	11E	12F	13F
Revenue	73.6	74.4	85.6	98.7	40.9	1.1	15.1	15.3
OP	5.6	7.2	8.8	10.4	82.7	16.1	35.4	18.2
PBT	2.1	6.0	8.7	10.5	76.7	181.0	47.5	20.7
Net Profit	1.6	4.7	6.6	8.0	118.7	200.5	41.8	20.0
EPS	145	434	616	739	118.7	200.5	41.8	20.0
OP Margin (%)	7.6	9.7	10.3	10.5				
NP Margin (%)	2.1	6.3	7.7	8.1				

Source: Company data, Leading Research Center

Section 9: Valuation – Fair Price W6,800 per share

Discounts until 2008, premiums since 2009

After Aurora was listed on the KOSDAQ in 2001, it received a valuation discount compared to the market PER until 2008. The company exceptionally received a high valuation premium of 70.5% and 144.8% in 2003 and 2009 respectively. However, these premiums are misleading because they were caused by a very low EPS of less than W100.

However, Aurora has received a normal valuation premium since 2010, as Aurora's brand awareness was strengthened by Yoohoo & Friends, and the efficiency of the one-stop solution strategy began to show in the market. Aurora received a 26.5% valuation premium by year-high PER in 2010. In 2011, premium valuation decreased to 7.3% due to the decline in global economic growth.

Aurora is expected to generate about 15% of its revenue from the Chinese market in 2012. Aurora's main market, the US, also seems to have a healthy private consumption index. Aurora's revenue growth is likely to be about 15% through 2013F, and 2012F EPS growth is expected to be 41.8% YoY. Moreover, the company's financial stability is also high, with a low net debt/equity ratio of 20%.

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30% premium to the 2012 market consensus renders 11.0X which results in a target price of W6,800 per share with 65.9% upside potential

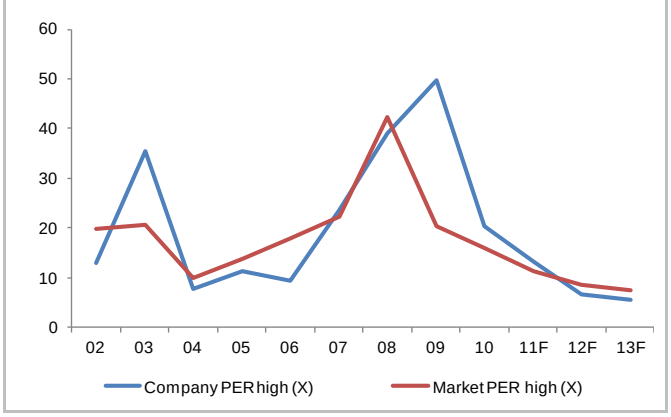
All things considered, we believe Aurora deserves a 30% premium to 2012F market consensus PER of 8.4X, which renders 11.0X. Applying 11.0X to the 2012F EPS of W616 per share, we believe the fair value assessment for Aurora is W6,800 per share, which implies a 65.9% share price appreciation potential from the current price of W4,100 per share.

Table 9. Discount/Premium in Aurora PER to market PER

(X, %)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012F	2013F
Aurora PER high	13.0	35.3	7.8	11.2	9.4	23.7	39.0	49.9	20.2	13.2	6.7	5.5
Market PER high	19.9	20.7	9.9	13.9	17.9	22.3	42.4	20.4	16.0	11.2	8.4	7.3
Premium/(Discount) to market (%)	**(34.6)**	**70.5**	**(21.7)**	**(19.5)**	**(47.6)**	**6.4**	**(8.1)**	**144.8**	**26.5**	**18.0**	**(20.7)**	**(24.0)**
Aurora PER low	7.8	20.1	4.2	5.2	6.6	15.8	19.6	30.6	14.5	4.7	6.7	5.5
Market PER low	9.9	10.2	5.7	7.2	11.0	10.9	16.2	9.8	9.6	8.6	8.4	7.3
Premium/(Discount) to market (%)	**21.6**	**(96.7)**	**25.4**	**27.8**	**40.0**	**(45.0)**	**(21.2)**	**(213.0)**	**(50.7)**	**44.8**	**20.7**	**24.0**

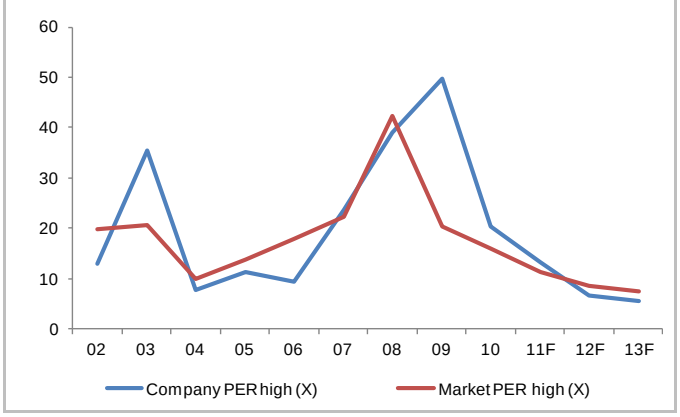
Source: Company data, Leading Research Center
**Market = KOSPI + KOSDAQ,*

Chart 25. Aurora Yr-high PER vs. Market Yr-high PER



Source:Fnguide, Leading Research Center

Chart 26. Aurora Yr-low PER vs. Market Yr-low PER



Source: Fnguide, Leading Research Center

Summary of financials

Income statement

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Revenue	**48.6**	**52.8**	**46.7**	**50.1**	**51.0**	**46.8**	**48.8**	**52.9**	**52.2**	**73.6**	**74.4**	**85.6**	**98.7**
% chg yoy	11.3	8.7	(11.7)	7.3	1.9	(8.3)	4.4	8.3	(1.2)	40.9	1.1	15.1	15.3
COGS	35.2	38.2	34.6	38.5	38.4	35.1	36.2	39.2	37.1	54.1	53.4	61.2	70.5
Gross profit	**13.3**	**14.7**	**12.1**	**11.5**	**12.6**	**11.7**	**12.6**	**13.7**	**15.1**	**19.5**	**21.0**	**24.4**	**28.2**
GP margin (%)	27.5	27.8	25.9	23.0	24.7	24.9	25.8	25.9	28.9	26.5	28.2	28.5	28.6
SG&A	**9.2**	**9.7**	**9.9**	**9.3**	**8.1**	**9.2**	**9.1**	**9.2**	**12.0**	**13.9**	**13.8**	**15.6**	**17.9**
Operating income	**4.1**	**5.0**	**2.2**	**2.2**	**4.5**	**2.4**	**3.4**	**4.5**	**3.1**	**5.6**	**7.2**	**8.8**	**10.4**
OP margin (%)	8.5	9.4	4.7	4.4	8.7	5.2	7.1	8.5	5.9	7.6	9.7	10.3	10.5
Non-operating income	1.2	2.5	1.4	3.7	1.7	3.8	1.6	4.1	10.1	3.6	3.6	4.1	4.2
Interest income	0.2	0.3	0.3	0.4	0.2	0.2	0.1	0.4	1.2	0.6	0.8	0.8	0.9
FX related gains	(0.1)	0.1	(0.1)	(0.1)	(0.2)	0.1	0.0	0.5	1.8	0.2	0.3	0.3	0.4
Equity method gains	0.0	0.8	0.2	1.1	0.6	2.1	0.5	0.5	1.4	0.7	0.7	0.8	0.8
Non-operating expenses	1.6	2.4	2.5	2.5	2.6	1.6	2.4	7.4	12.0	7.0	4.8	4.2	4.1
Interest expenses	0.6	0.4	0.3	0.3	0.9	0.8	0.9	1.1	2.4	1.6	1.5	1.4	1.3
FX related losses	0.8	0.9	0.6	1.4	0.9	0.7	0.3	2.5	1.8	1.2	1.1	0.9	0.9
Equity method losses	0.1	0.0	0.0	0.0	0.1	0.0	1.0	0.4	0.5	2.8	1.0	0.9	0.9
Profit before tax	**3.8**	**5.1**	**1.1**	**3.4**	**3.6**	**4.6**	**2.6**	**1.2**	**1.2**	**2.1**	**6.0**	**8.7**	**10.5**
Tax	1.1	1.5	0.3	1.0	0.3	1.1	0.6	0.3	0.5	0.6	1.3	2.1	2.5
Tax rate (%)	30.3	28.7	26.9	29.7	9.5	23.8	21.6	21.8	40.7	26.7	22.1	24.0	24.0
Net income	**2.6**	**3.6**	**0.8**	**2.4**	**3.2**	**3.5**	**2.0**	**0.9**	**0.7**	**1.6**	**4.7**	**6.6**	**8.0**

Balance sheet

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Cash & deposit	1.2	2.0	1.6	1.5	5.2	1.6	4.0	10.0	1.1	3.7	5.3	5.9	6.8
Marketable securities	0.3	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	6.8	6.7	3.2	6.6	8.5	6.9	9.1	8.2	5.6	6.8	7.1	8.3	9.7
Other quick assets	1.4	1.2	3.7	2.2	1.9	3.1	3.3	4.4	4.2	5.1	5.3	5.0	5.0
Total quick assets	11.3	11.9	11.1	11.6	16.9	12.9	17.8	35.7	25.9	27.8	27.5	29.1	31.3
Inventory	0.6	1.4	2.0	1.4	1.6	1.6	1.3	1.6	2.2	3.6	2.2	2.7	3.2
Total current assets	**11.8**	**13.3**	**13.1**	**13.0**	**18.5**	**14.5**	**19.1**	**37.3**	**28.1**	**31.4**	**29.7**	**31.8**	**34.4**
Investments	7.6	7.4	5.8	6.7	6.7	12.4	13.4	18.9	26.0	20.8	20.9	20.5	20.5
Tangible assets	24.7	22.5	22.2	21.8	21.6	21.5	21.2	50.1	50.3	51.8	52.0	52.3	53.4
Others	0.8	0.8	2.4	6.5	4.9	1.3	1.5	1.2	3.1	2.8	2.5	2.4	2.4
Total non-current assets	**33.1**	**30.6**	**30.4**	**35.0**	**33.2**	**35.2**	**36.1**	**70.2**	**79.4**	**75.4**	**75.4**	**75.2**	**76.3**
Total assets	**45.0**	**43.9**	**43.5**	**48.0**	**51.7**	**49.8**	**55.2**	**107.5**	**107.5**	**106.8**	**105.1**	**107.0**	**110.7**
Trade Payables	4.7	3.4	2.6	3.8	3.5	2.6	1.7	1.7	1.8	4.3	4.3	5.2	6.0
Short-term borrowings	9.2	1.2	1.8	3.7	7.1	3.7	3.8	20.2	23.0	20.3	13.8	11.9	9.4
Current portion of LT debt	0.3	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	1.9	1.5	1.1	1.4	1.7	1.5	1.8	8.8	4.3	2.5	2.0	1.8	1.8
Total current liabilities	**16.1**	**6.1**	**5.4**	**8.9**	**12.3**	**7.8**	**7.2**	**30.7**	**29.2**	**27.1**	**20.1**	**18.9**	**17.2**
Bonds	0.0	5.9	6.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0	5.0
Allowance for retirement reserve	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.0	0.0	0.1	0.1	0.1	0.1
Others	9.1	9.6	10.2	10.5	10.3	10.9	10.2	16.6	16.8	16.5	12.0	13.0	13.4
Total LT liabilities	**9.6**	**15.7**	**16.3**	**16.0**	**10.4**	**11.0**	**10.4**	**16.6**	**16.8**	**16.6**	**17.1**	**18.1**	**18.5**
Total liabilities	**25.7**	**21.7**	**21.8**	**24.8**	**22.7**	**18.9**	**17.6**	**47.3**	**46.0**	**43.7**	**37.2**	**37.0**	**35.7**
Paid-in capital	4.3	4.3	4.3	4.3	4.3	4.3	5.4	5.4	5.4	5.4	5.2	5.2	5.2
Capital surplus	8.9	8.9	8.9	8.9	8.9	8.9	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Retained earnings	10.8	14.4	14.1	16.5	18.8	19.3	20.0	19.9	20.0	21.6	25.0	30.3	37.0
Capital adjustments	(4.8)	(5.5)	(5.6)	(6.6)	(3.0)	(1.6)	(1.8)	20.9	22.1	22.1	23.8	20.5	18.9
Total shareholder's equity	**19.3**	**22.2**	**21.8**	**23.1**	**29.0**	**30.9**	**37.6**	**60.2**	**61.5**	**63.1**	**68.0**	**70.0**	**75.1**

Free cashflow analysis

(Wbn)	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Net profit	**2.6**	**3.6**	**0.8**	**2.4**	**3.2**	**3.5**	**2.0**	**0.9**	**0.7**	**1.6**	**4.7**	**6.6**	**8.0**
Add non-cash expenses	**0.0**	**1.1**	**2.6**	**1.6**	**1.6**	**0.9**	**1.9**	**5.5**	**8.9**	**5.5**	**4.0**	**3.7**	**3.9**
Depreciation	0.0	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.7	0.7	0.7	0.7	0.7
Equity method losses	0.0	0.0	0.0	0.0	0.1	0.0	1.0	0.4	0.5	2.8	1.0	0.9	0.9
Other non-cash expenses	0.0	0.7	2.2	1.2	1.3	0.5	1.5	5.1	8.2	4.8	3.3	3.0	3.2
Subtract non-cash incomes	**0.0**	**1.3**	**0.4**	**2.5**	**0.8**	**2.9**	**0.9**	**1.4**	**5.4**	**1.6**	**2.8**	**2.7**	**2.5**
Equity method gains	0.0	0.8	0.2	1.1	0.6	2.1	0.5	0.5	1.4	0.7	0.7	0.8	0.8
Other non-cash incomes	0.0	0.5	0.2	1.4	0.3	0.8	0.5	1.0	4.0	0.9	2.1	1.9	1.7
Add chgs in op asset &liab	2.7	2.1	(2.2)	1.6	2.3	(0.6)	2.8	(0.6)	(2.0)	(0.0)	(1.0)	0.7	1.1
Cash from operation	**2.6**	**1.8**	**0.1**	**1.0**	**2.5**	**0.8**	**(0.9)**	**10.3**	**4.3**	**3.7**	**6.9**	**6.9**	**8.3**
Subtract capital expenditure	0.0	0.2	0.1	0.1	0.1	0.3	0.1	0.2	0.9	2.2	1.5	0.9	1.0
Free cash flow	**2.6**	**1.7**	**0.0**	**0.9**	**2.4**	**0.5**	**(1.0)**	**10.0**	**3.4**	**1.5**	**5.4**	**6.0**	**7.3**
Dividend	0.0	0.0	0.5	1.1	0.0	0.9	1.1	1.3	1.1	0.5	1.3	1.3	1.3
Net investments	0.0	(0.2)	(0.4)	0.5	(0.1)	4.2	1.6	1.8	7.2	(1.6)	0.1	(0.4)	0.0
Share issues	0.0	0.0	0.0	0.0	0.0	0.0	6.2	0.0	0.0	0.0	0.0	0.0	0.0
Increase in debt	9.7	(2.6)	0.7	1.2	(1.9)	(3.4)	0.0	16.4	2.8	(2.7)	(1.5)	(1.9)	(2.5)
Others	2.6	7.0	1.0	0.5	(3.0)	(4.4)	0.1	17.4	6.9	(2.8)	0.9	2.6	2.6
Net cash flow	**9.7**	**(7.7)**	**(0.5)**	**(0.1)**	**3.6**	**(3.6)**	**2.4**	**6.0**	**(9.0)**	**2.6**	**1.6**	**0.6**	**0.9**
Beginning cash	0.0	1.2	2.0	1.6	1.5	5.2	1.6	4.0	10.0	1.1	3.7	5.3	5.9
Ending cash	1.2	2.0	1.6	1.5	5.2	1.6	4.0	10.0	1.1	3.7	5.3	5.9	6.8

Key ratios and stability ratio

	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
Current ratio	73.4	219.2	240.9	146.6	149.7	185.4	264.7	121.4	96.3	115.6	148.1	168.2	200.
Quick ratio	52.0	144.1	87.5	91.2	110.6	107.9	181.2	59.2	23.0	38.8	62.0	75.1	95.8
Inventory holding period (days)	3.0	9.5	18.0	16.2	14.2	16.4	14.8	13.5	18.8	19.7	19.7	14.6	15.2
A/R collection period (days)	25.6	46.8	38.7	35.6	53.9	60.1	59.8	59.8	48.5	30.8	34.2	32.9	33.2
A/P period (days)	24.2	38.1	31.0	30.7	34.7	31.8	22.0	15.9	17.1	20.3	30.2	28.0	28.8
Interest bear debt (Wbn)	9.7	7.1	7.8	9.0	7.1	3.7	3.8	20.2	23.0	20.3	18.8	16.9	14.4
Cash & equivalents (Wbn)	5.9	6.1	5.5	4.6	7.1	3.8	5.5	23.4	17.2	16.9	15.1	15.8	16.6
Net int. bear debt (Wbn)	3.9	1.0	2.3	4.4	(0.1)	(0.1)	(1.8)	(3.3)	5.8	3.4	3.7	1.1	(2.2)
Net debt/equity (%)	20.0	4.6	10.6	19.2	(0.2)	(0.4)	(4.7)	(5.4)	9.4	5.4	5.4	1.6	(2.9)
Liability/equity (%)	133.4	98.0	100.1	107.4	78.5	60.9	46.8	78.6	74.8	69.3	54.7	52.8	47.5
Interest coverage (X)	7.5	11.5	8.7	8.3	4.7	2.9	3.9	4.2	1.3	3.5	4.8	6.3	8.0

Valuations and margins

	01	02	03	04	05	06	07	08	09	10	11F	12F	13F
EV/EBITDA (X)	8.2	6.7	14.2	15.1	7.3	12.5	10.9	8.3	12.8	7.3	6.0	4.7	3.8
EPS (W)	358	419	94	280	372	409	188	87	66	145	434	616	739
EPS y-y (%)	N/A	17.1	(77.5	196.5	33.1	10.0	(54.2)	(53.8)	(23.8)	118.7	200.5	41.8	20.0
PER (X)	11.5	9.8	43.5	14.7	11.0	10.0	21.9	47.3	62.0	28.4	9.4	6.7	5.5
BVPS (W)	5,270	2,779	2,518	2,677	3,352	3,581	3,878	5,593	5,714	5,860	6,319	6,507	6,97
P/BVPS (X)	0.8	1.5	1.6	1.5	1.2	1.1	1.1	0.7	0.7	0.7	0.6	0.6	0.6
Dividend (W)		150		100	175	150	100	50		75	120	120	120
Yield (%)	2.4	3.7	N/A	2.4	4.3	3.7	2.4	1.2	N/A	1.8	2.9	2.9	2.9
ROE (%)	27.2	17.5	3.7	10.8	12.3	11.8	5.9	1.9	1.2	2.5	7.1	9.6	11.0
ROA (%)	11.6	8.2	1.9	5.3	6.5	7.0	3.8	1.1	0.7	1.5	4.4	6.2	7.3
GP margin (%)	27.5	27.8	25.9	23.0	24.7	24.9	25.8	25.9	28.9	26.5	28.2	28.5	28.6
OP margin (%)	8.5	9.4	4.7	4.4	8.7	5.2	7.1	8.5	5.9	7.6	9.7	10.3	10.5
NP margin (%)	5.4	6.9	1.7	4.8	6.3	7.6	4.1	1.8	1.4	2.1	6.3	7.7	8.1
EBITDA margin (%)	8.5	10.3	5.7	5.3	9.5	6.0	8.0	9.3	7.5	8.8	10.8	11.2	11.3
ROIC (%)	31.3	19.6	8.5	7.4	17.8	8.7	12.9	11.6	4.5	9.2	11.5	13.2	15.3
WACC (%)	12.2	7.8	7.3	4.7	9.1	9.6	6.9	6.9	5.6	6.9	6.3	7.6	8.6
ROIC less WACC (%)	19.1	11.8	1.3	2.7	8.7	(0.9)	6.0	4.7	(1.1)	2.3	5.2	5.6	6.7

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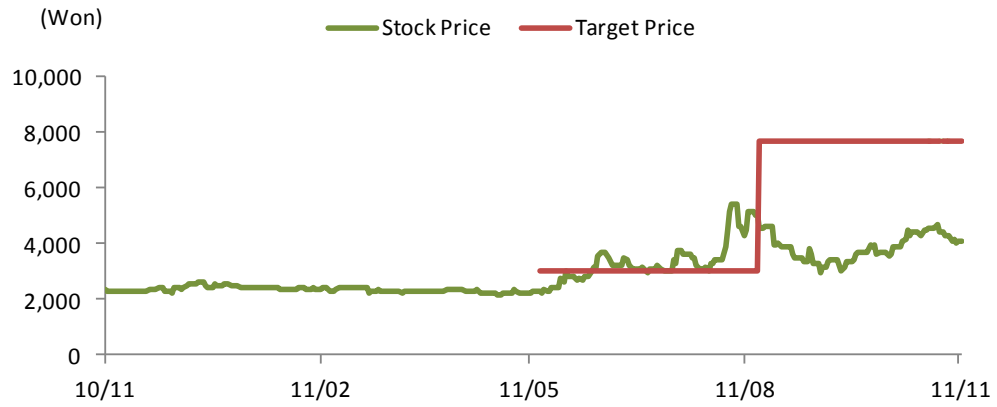
Aurora (039830 KQ)			
Date	2011-5-30	2011-8-30	2011-11-28
Ratings	BUY	BUY	BUY (chg. In Analyst)
Target Price	3,000	7,700	6,800

▶ Ratings and target price history in past two years



▶ Investment period and ratings

Company

BUY	The stock is expected to outperform the market by at least 10%p over the next 12 months.
HOLD	The stock is expected to either outperform or underperform the market by less than 10%p over the next 12 months.
SELL	The stock is expected to underperform the market by at least 10%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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