

Hanwha Aerospace (012450)

Lee Tae-hwan

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Rating

BUY

Maintain

6M TP (₩)

760,000

Maintain

CP (₩)

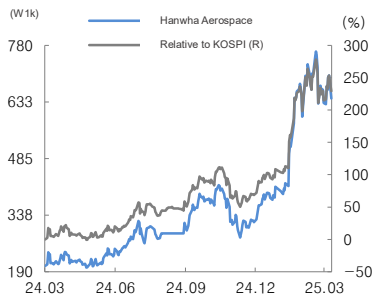
642,000

(Apr 7, 2025)

Machinery

KOSPI	2328.2
Market cap (Wbn)	29,263
Market cap portion (%)	1.36%
Paid-in capital (common; Wbn)	240
52w high/low (₩)	764,000/ 201,000
120d avg trading volume (Wbn)	227.6
Foreign ownership (%)	47.09%
Major shareholders	Hanwha+2: 33.99% NPS: 7.56%

(%)	1M	3M	6M	12M
Abs. return	-12.2	68.5	82.6	202.1
Rel. return	-3.3	80.4	104.8	252.2



Bold corrective move to win back confidence

- The new capital-raising plan consists of W2.3tn in shareholder allocation and W1.3tn in third-party allocation (no discount)
- Longer-term investment plan includes a four-year investment timeline of W11.1tn with relevant details
- Securities filing revision to help regain shareholder confidence; global competitiveness remains outstanding

Restructuring of capital-raising plan + Disclosure of longer-term investment plan

Following the announcement of a W3.6tn capital increase through a rights offering (15% discount, issuance ratio of 13.05%), Hanwha Aerospace and Hanwha Group faced criticism over: 1) appropriateness of the rights offering as a capital-raising method; 2) insufficient communication with shareholders regarding the use of proceeds; and 3) suspicions surrounding a connection to management right succession. Korea's financial authority, FSS, called for amendments to the securities filing, and in response, the company announced changes to both its capital-raising method and the securities filing.

① **Changes to capital-raising plan:** The company is now considering restructuring the offering into: a W2.3tn capital increase with shareholder allocation (15% discount), and a W1.3tn third-party allocation (no discount, 1-year lock-up). In addition to alleviating the burden on shareholders, the W1.3tn that Hanwha Aerospace paid to Hanwha Energy as a stock sale price for Hanwha Ocean will return to Hanwha Aerospace. The 0% discount to third parties in a special relationship is deemed a positive for general shareholders, and this decision should help dispel concerns that the Hanwha Ocean sale proceeds would be used to fund Hanwha Group's succession plan via direct equity purchases in Hanwha Corporation.

② **Longer-term investment plan:** The company also unveiled an investment plan totaling W11.1tn over the next four years (2025–2028), elaborating further on its key initiatives—W6.3tn for overseas investment, W1.6tn for R&D, W2.3tn for land defense infrastructure, and W1.0tn for aerospace infrastructure—regarding timeline and project details. The funding plan incorporates the proceeds from this rights offering (W3.6tn), along with cumulative operating cash flow and additional debt financing (W7.5tn) over four years. Given the heavy focus on 2026, with the expected size of investment at W4.8tn or more, the plan appears to demonstrate the need to secure liquidity preemptively. Also, a capital injection would have been necessary to prevent further deterioration in the debt-to-equity ratio, considering the rising portion of advance payments (up from 34% in 2021 to 43% in 2024) amid a sharp increase in new orders.

Bold corrective move to win back shareholder confidence

While the recent decision to gift 11.3% of Hanwha Corporation shares to Chairman Kim Seung-yeon's three sons partially addressed criticism surrounding the group's succession, it wasn't sufficient to fully dispel negative sentiment toward Hanwha Aerospace's capital-raising plan. In light of that, we believe the revised filing represents a strong, corrective response, which may be well received by the market. Amid global defense buildup accelerating, demand for the company's best-performing products, such as the K9, K21 and Chunmoo, is expected to remain on the rise. Moreover, efforts to strengthen partnerships through local investment in overseas markets should help lay a strong foundation for market leadership and order visibility. Hanwha Aerospace remains our top pick in the defense sector.

Operating results and major financial data

(Wbn, ₩, x, %)

	2023A	2024A	2025F	2026F	2027F
Revenue	7,890	11,240	25,585	27,694	28,406
OP	594	1,732	2,898	3,514	3,688
Pretax profit	1,131	2,647	2,595	3,246	3,426
NP	977	2,540	1,998	2,499	2,638
NP (controlling int.)	818	2,299	1,798	2,249	2,374
EPS	16,147	46,942	39,452	49,345	52,090
PER	7.7	7.0	18.3	14.6	13.9
BPS	69,689	101,994	146,732	193,888	243,919
PBR	1.8	3.2	4.4	3.3	2.6
ROE	25.6	53.9	30.8	29.0	23.8

* EPS, BPS, and ROE based only on the controlling interest

Source: Hanwha Aerospace, Daishin Securities Research Center

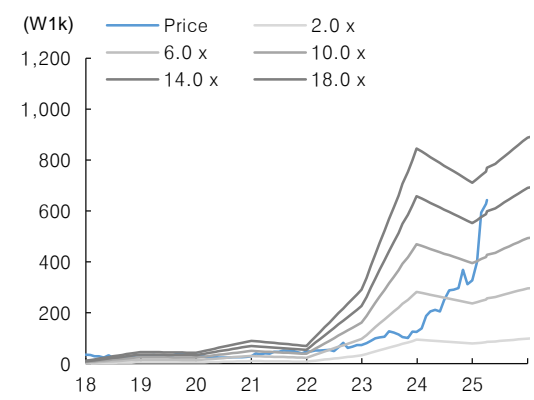
Tap 1. TP Calculation

(W, x, %)

		Note
BPS	158,521	Hanwha Aerospace's 12MF BPS
Target PBR	5.5	Fair PBR = (ROE-g) / (COE-g) 1) '25E ROE: 19.2% 2) Perpetual growth(g): 1.33% 3) Cost of Equity: 6.4%(Rf: 2.9%, Rm: 8%, 104자 Beta: 0.69)
Fair share price (W)	764,423	BPS * Target PBR = W864,217 Diluted considering the issuance ratio of 13.05%
TP (W)	760,000	764,423≒760,000
CP (W)	642,000	As of Apr 7, 2025
Upside potential (%)	18.4	

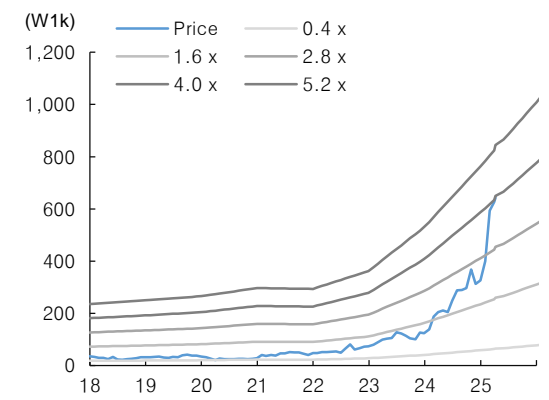
Source: Daishin Securities Research Center

Fig 1. 12MF PER band



Source: Quantwise, Daishin Securities Research Center

Fig 2. 12MF PBR band



Source: Quantwise, Daishin Securities Research Center

Tap 2. Quarterly/yearly earnings trajectory (Wbn, %)

		1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E	2024	2025E
Consolidated revenue	(Wbn)	1,848	2,786	1,781	4,825	5,897	6,323	6,209	7,156	11,240	25,585
YoY	(%)	-9.3	46.0	110.2	55.8	219.1	127.0	248.7	48.3	42.5	127.6
QoQ	(%)	-40.3	50.7	-36.1	170.9	22.2	7.2	-1.8	15.2		
Land defense	(Wbn)	657	1,333	1,656	3,365	1,838	2,012	2,101	2,474	7,010	8,424
Aerospace	(Wbn)	443	562	478	595	537	559	559	578	2,079	2,233
Hanwha Vision (non-consolidated)	(Wbn)	310	316							626	
Hanwha Systems	(Wbn)	544	687	639	933	633	809	708	1,064	2,804	3,214
Hanwha Ocean (newly consolidated)						2,928	2,999	2,905	3,107		11,939
Others	(Wbn)	-106	-112	-142	-62	-39	-56	-64	-67	2,804	3,214
Consolidated OP	(Wbn)	37	359	436	900	615	723	745	815	1,732	2,898
YoY	(%)	-83.2	356.7	2,544.4	224.6	1,544.8	101.4	70.9	-9.4	191.4	67.3
QoQ	(%)	-86.5	859.0	21.5	106.3	-31.6	17.5	3.1	9.4		
OPM	(%)	2.0	12.9	24.5	18.6	10.4	11.4	12.0	11.4	15.4	11.3
Land defense	(Wbn)	-4	261	440	870	441	483	504	594	1,566	2,022
Aerospace	(Wbn)	3	6	-6	-46	5	16	8	-37	-43	-7
Hanwha Vision (non-consolidated)	(Wbn)	52	39							91	
Hanwha Systems	(Wbn)	39	80	57	43	41	72	66	62	219	242
Hanwha Ocean (newly consolidated)						127	145	155	189		615
Others	(Wbn)	-53	-28	-14	25	1	6	12	7	-69	26
Consolidated NP	(Wbn)	-13	147	318	1,846	349	443	475	531	2,299	1,798
YoY	(%)	TTR	-43.5	TTB	1,048.7	TTB	201.0	49.2	-71.3	181.2	-21.8
QoQ	(%)	TTR	TTB	116.3	479.9	-81.1	26.8	7.3	11.7		
NIM	(%)	0.1	5.7	16.3	42.7	6.6	7.8	8.5	8.2	22.3	7.8
Consolidated order backlog	(Wbn)	66,123	67,730	68,205	72,241	73,206	73,935	74,987	76,510	72,241	76,510
YoY	(%)	27.7	29.9	28.1	12.4	10.7	9.2	9.9	5.9	12.4	5.9
QoQ	(%)	2.9	2.4	0.7	5.9	1.3	1.0	1.4	2.0		

Source: Hanwha Aerospace, Daishin Securities Research Center
*TTR=Turn to Red, TTB=Turn to Black

Financial Statements

Income statement						Balance sheet					
(Wbn)						(Wbn)					
	2023A	2024A	2025F	2026F	2027F		2023A	2024A	2025F	2026F	2027F
Revenue	7,890	11,240	25,585	27,694	28,406	Current assets	9,192	22,868	28,828	30,176	30,570
Cost of goods sold	6,462	8,370	20,584	21,999	22,447	Cash & cash equiv.	1,806	2,968	1,018	524	316
Gross profit	1,428	2,870	5,000	5,695	5,959	Trade & other receive.	2,119	8,884	16,328	17,613	18,027
SG&A expenses	834	1,138	2,103	2,181	2,271	Inventories	2,869	6,290	6,756	7,313	7,501
OP	594	1,732	2,898	3,514	3,688	Other current assets	2,399	4,726	4,726	4,726	4,726
OP margin	7.5	15.4	11.3	12.7	13.0	Long-term assets	10,351	20,469	21,334	22,380	23,660
EBITDA	933	2,063	3,206	3,818	3,988	Tangible assets	3,410	8,320	8,276	8,235	8,197
Non-OP	536	916	-303	-269	-262	Investments in affiliates	3,204	964	1,645	2,354	3,068
Income from affiliates	16	105	284	312	318	Other long-term assets	3,737	11,185	11,413	11,792	12,395
Financial revenue	1,131	374	394	403	406	Total assets	19,543	43,337	50,163	52,557	54,230
FX related gains	86	286	149	149	149	Current liabilities	12,077	25,516	29,676	29,272	27,792
Financial expense	-367	-495	-657	-651	-652	Payables & other liab.	1,879	4,270	6,450	6,771	6,879
FX related losses	153	153	83	83	83	Borrowings	1,374	5,153	5,668	5,101	5,101
Others	-243	932	-323	-332	-333	Current portion of LT debts	1,165	965	917	871	827
Income before taxes	1,131	2,647	2,595	3,246	3,426	Other current liabilities	7,659	15,128	16,641	16,529	14,985
Income tax expense	-232	-136	-597	-746	-788	Long-term liabilities	2,782	6,456	7,111	7,425	7,947
Income from cont. op.	899	2,511	1,998	2,499	2,638	Borrowings	1,401	4,165	4,636	4,748	5,049
Income from discount. op.	78	29	0	0	0	Convertible securities	0	0	0	0	0
NP	977	2,540	1,998	2,499	2,638	Other long-term liab.	1,381	2,292	2,475	2,677	2,898
NP margin	12.4	22.6	7.8	9.0	9.3	Total liabilities	14,859	31,973	36,787	36,697	35,739
NP for non-contr. interest	159	241	200	250	264	Controlling interest	3,528	4,995	6,688	8,838	11,118
NP for contr. interest	818	2,299	1,798	2,249	2,374	Capital stock	266	240	240	240	240
Valuation of AFS fin. assets	0	0	0	0	0	Capital surplus	192	207	207	207	207
Other compreh. income	-16	6	6	6	6	Retained earnings	2,627	4,747	6,386	8,476	10,691
Comprehensive income	819	2,598	2,056	2,557	2,696	Other capital changes	443	-198	-145	-85	-20
Comp. income for non-contr. Int.	69	222	206	256	270	Non-controlling interest	1,156	6,369	6,688	7,022	7,373
Comp. income for contr. int.	750	2,376	1,850	2,301	2,427	Total shareholders' equity	4,684	11,364	13,376	15,860	18,491
						Net borrowings	2,350	7,505	10,437	10,481	11,000
Valuation metrics						Cash flow statement					
(W, x, %)						(Wbn)					
	2023A	2024A	2025F	2026F	2027F		2023A	2024A	2025F	2026F	2027F
EPS	16,147	46,942	39,452	49,345	52,090	Operating cash flows	1,390	1,393	-3,067	1,614	2,774
PER	7.7	7.0	18.3	14.6	13.9	NP	0	0	1,998	2,499	2,638
BPS	69,689	101,994	146,732	193,888	243,919	Non-cash items	-68	5	322	431	466
PBR	1.8	3.2	4.4	3.3	2.6	Depreciation	339	331	309	304	300
EBITDAPS	18,436	42,120	70,342	83,773	87,494	FX gains	19	-11	-74	-74	-74
EV/EBITDA	10.5	13.9	14.5	12.2	11.9	Equity method gain	-16	-105	-284	-312	-318
SPS	155,830	229,509	561,301	607,582	623,189	Others	-410	-210	372	513	559
PSR	0.8	1.4	1.1	1.1	1.0	Chg in assets & liab.	462	-903	-4,613	-401	630
CFPS	17,957	51,953	50,897	64,277	68,111	Other cash flows	996	2,291	-774	-915	-961
DPS	1,800	3,500	3,500	3,500	3,500	Investing cash flow	-3,029	-1,367	-809	-837	-843
						Investment assets	-2,432	-542	-681	-709	-715
						Tangible assets	-450	-577	-195	-195	-195
						Others	-147	-249	67	67	67
Financial ratios						Financing cash flows	368	1,066	726	-713	44
(W, x, %)						Short-term borrowings	404	927	515	-567	0
	2023A	2024A	2025F	2026F	2027F	Bonds payable	140	638	171	-188	0
Growth potential						Long-term borrowings	299	300	300	300	300
Revenue growth	11.7	42.5	127.6	8.2	2.6	Rights offering	0	-25	0	0	0
OP growth	48.4	191.4	67.3	21.3	4.9	Cash dividends	-51	-120	-159	-159	-159
NP growth	566.6	160.0	-21.3	25.1	5.6	Others	-425	-654	-102	-99	-97
Profitability						Net chg in cash	-1,263	1,161	-1,949	-494	-208
ROIC	10.5	14.4	10.8	11.5	11.2	Beginning cash balance	3,070	1,806	2,968	1,018	524
ROA	3.4	5.5	6.2	6.8	6.9	Ending cash balance	1,806	2,968	1,018	524	316
ROE	25.6	53.9	30.8	29.0	23.8	NOPLAT	472	1,643	2,231	2,706	2,840
Stability						FCF	240	1,247	2,343	2,813	2,943
Debt ratio	317.2	281.3	275.0	231.4	193.3						
Net borrowings ratio	50.2	66.0	78.0	66.1	59.5						
Interest coverage ratio	4.0	7.1	14.1	17.8	18.3						

Source: Hanwha Aerospace, Daishin Securities Research Center

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(Analyst: Lee Tae-hwan)

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[Target price history & investment rating]

Hanwha Aerospace (012450)

(₩)

Adj. Price

Adj. Target Price

1,000,000

800,000

600,000

400,000

200,000

0

23.03

23.07

23.11

24.03

24.07

24.11

25.03

Date	25.04.09	25.04.07	25.03.31	25.03.26	25.02.11	24.12.16
Rating	Buy	Buy	Buy	Buy	Buy	Buy
Target price	760,000	760,000	760,000	760,000	580,000	430,000
Diff. (avg %)		(12.88)	(12.88)	(15.79)	14.22	(12.90)
Diff. (max/min, %)		(7.63)	(7.63)	(12.76)	31.72	15.81

Date

Rating

Target price

Diff. (avg %)

Diff. (max/min, %)

Date

Rating

Target price

Diff. (avg %)

Diff. (max/min, %)

Date

Rating

Target price

Diff. (avg %)

Diff. (max/min, %)

Investment rating (As of Apr 6, 2025)

	Buy	Marketperform	Underperform
Ratio	92.0%	8.0%	0.0%

Sector ratings

- Overweight rating denotes industry indicators are expected to outperform the market over the next six months.

- Neutral rating denotes industry indicators are expected to be in line with the market over the next six months.

- Underweight rating denotes industry indicators are expected to underperform the market over the next six months.

Company ratings

- Buy rating denotes the stock is expected to outperform the market by at least 10%p over the next six months.

- Marketperform rating denotes the stock is expected to either outperform or underperform the market by less than 10%p over the next six months.

- Underperform rating denotes the stock is expected to underperform the market by at least 10%p over the next six months.

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