

Mirae Asset Securities (037620 KS)

Still lacks momentum

■ 4QFY09 Pretax profit up 21.4% QoQ to W57.8bn

Mirae Asset's 4QFY09 (ended March 2010) pretax profit rose 21.4% QoQ to W57.8bn, beating the street's view by 26%. But this performance falls short of other major brokerages, which surpassed consensus estimates by more than 100%.

Valuation gains on bond holdings amounted to W23bn as interest rates remained low. However, the gains were limited by shorter duration. The income from fund sales stagnated due to an increase in fund redemption, and equity method gains shrank due to increased SG&A expenses at its Hong Kong subsidiary. In the non-recurring front, the company reported W11bn in futures-related losses, but W21.9bn from the reversal of project financing (PF) related provisions.

■ 1QFY10 Outlook: In line with 4QFY09

We believe the company's 1QFY10 earnings will be similar to 4QFY09 level. Positive factors include: 1) brokerage income should increase along with the stock market's advance; 2) interest income from bond holdings is expected to increase; and 3) there should be some reversal of provisions. Negatives include: 1) the benefit of rising trading value should be limited due to the brokerage business' lower earnings contribution compared to rival companies; and 2) the negative impact of fund redemption should be harsh due to its emphasis on asset management.

■ Maintain Trading Buy with TP W72,000

We maintain our Trading Buy on Mirae Asset Securities with a target price of W72,000. Business conditions have recently worsened, with the focus of investments shifting from indirect investments (equity funds) to direct investments and less risky investments, such as equity-linked securities (ELS). This should weigh on the company's earnings because advance fees on equity funds are a major source of its revenue. But we believe things will improve in the long term along with a rise in trading value.

Korea – Equity Research

Securities

Trading Buy

16 Apr 2010

Bloomberg: 037620KS

Target Price (12M, W): 72,000

Share Price (04/15/10, W): 59,000

Expected Return (%): 22.0

Sector: Brokerage

Sector Rating: Overweight

EPS Growth (10F, %): 4.9

Market EPS Growth (10F, %): 50.0

P/E (X): 15.0

Market P/E (10F/04/15,x): 10.2

Market Cap (Wbn): 2,472

Shares Outstanding (mn): 42

Avg Trading Volume (60D, '000): 164

Avg Trading Value (60D, Wbn): 10

Margin Balance ('000 sh): 385

Dividend Yield (11F, %): 0.8

Free Float (%): 60.1

52-Week Low/High: 55,200/83,300

Beta (12M, Daily Rate of Return): 1.3

Price Return Volatility (12M Daily, %,SD): 2.2

Foreign Ownership (%): 16.4

Major Shareholder(s):

Mirae Asset Capital et al. (38.14%)

Hong Jeon et al. (5.51%)

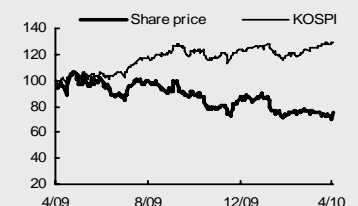
Mirae Asset investments et al. (5.29%)

Price Performance

(%)	1M	6M	12M
Absolute	0.7	-15.5	-21.5
Relative	-5.0	-20.6	-52.4

FY	Net Operating Revenue (Wbn)	OP (Wbn)	NP (Wbn)	EPS (W)	BPS (W)	P/E (x)	P/B (x)	ROE (%)	Dividend Yield (%)	Stockholder's Equity (Wbn)
07/03	687	365	267	6,694	39,618	20.8	3.5	21.1	0.7	1,581
09/03	483	192	126	3,158	41,517	22.5	1.7	7.8	0.3	1,658
10/03P	526	195	156	3,712	41,826	15.9	1.4	9.1	0.7	1,752
11/03F	553	195	164	3,925	45,358	15.0	1.3	9.0	0.8	1,900
12/03F	596	216	181	4,318	49,185	13.7	1.2	9.1	1.0	2,060

Source: Company data, Daewoo Securities Research estimates



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Table 1. Quarterly earnings trend

(Wbn,%)

	FY09 P					FY10F					QoQ	YoY
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY		
Net operating revenue	139.8	107.1	126.7	152.5	526.1	142.3	134.2	137.1	139.7	553.3	20.3	110.7
Net commissions received	93.4	99.0	91.2	81.9	365.5	89.1	89.4	89.9	89.9	358.3	-10.2	27.4
Net Brokerage Commissions	44.2	43.0	30.2	30.6	147.9	34.6	34.5	34.5	34.5	138.0	1.2	1.6
Asset Management Commissions	36.6	40.0	41.8	38.0	156.5	38.5	39.0	39.5	40.0	156.9	-9.0	34.9
Underwriting Commissions	8.4	7.1	9.2	5.4	30.1	7.6	7.4	7.5	7.0	29.4	-41.6	71.8
Fees on Sales of Structured Sec.	1.7	2.2	2.6	2.2	8.8	2.6	2.8	2.7	2.7	10.9	-14.4	283.6
Other Commissions	2.4	6.7	7.5	5.8	22.3	5.8	5.8	5.8	5.8	23.0	-23.5	149.0
Net interest income	40.8	38.6	37.1	47.3	163.7	42.4	43.0	45.5	48.0	178.9	27.5	28.5
Net prop. trading income	9.2	-12.2	-6.4	6.9	-2.7	1.9	1.7	1.7	1.8	7.1	-	140.9
Other income	-3.5	-18.3	4.9	16.5	-0.5	9.0	0.0	0.0	0.0	9.0	239.5	-
SG&A Expenses	79.8	76.9	86.2	88.6	331.5	87.9	88.7	90.0	91.5	358.2	2.8	70.6
Operating profit	60.0	30.2	40.6	63.9	194.6	54.4	45.5	47.1	48.2	195.2	57.5	212.6
Non-operating profit	6.0	13.9	7.0	-6.1	20.9	3.9	3.9	3.9	3.9	15.6	-	-
Pretax profit	66.0	44.1	47.6	57.8	215.5	58.3	49.4	51.0	52.1	210.8	21.4	338.1
Tax	18.2	10.3	14.2	17.3	60.0	12.8	10.9	11.2	11.5	46.4	21.8	328.6
Net profit	47.9	33.7	33.4	40.5	155.5	45.5	38.5	39.8	40.6	164.4	21.2	342.2

Source: Daewoo Securities Research

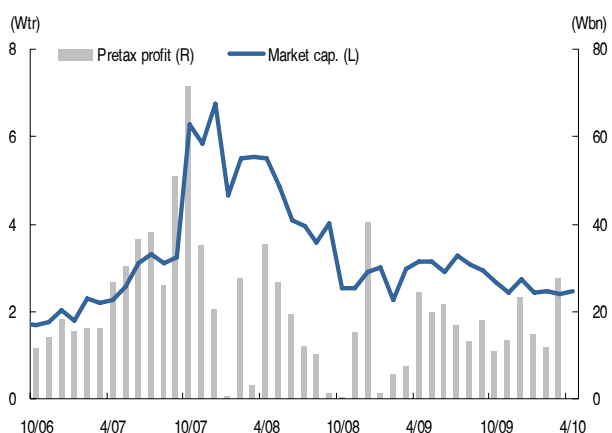
Table 2. Revisions to earnings forecasts for Mirae Asset Securities

(Wbn,W,%)

	Previous			Revised			% Change		
	FY09P	FY10F	FY11F	FY09P	FY10F	FY11F	FY09P	FY10F	FY11F
Net operating revenue	499.9	546.6	599.7	526.1	553.3	596.3	5.3	1.2	-0.6
Operating profit	172.5	187.2	220.2	194.6	195.2	215.5	12.8	4.3	-2.1
Pretax profit	207.4	205.2	239.8	215.5	210.8	231.9	3.9	2.7	-3.3
Net profit	152.6	160.1	187.0	155.5	164.4	180.9	1.9	2.7	-3.3
EPS	3,644	3,821	4,464	3,712	3,925	4,318	1.9	2.7	-3.3
BPS	42,433	45,861	49,834	41,826	45,358	49,185	-1.4	-1.1	-1.3

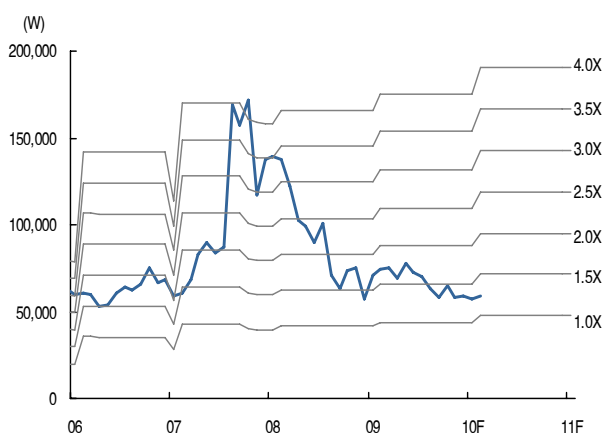
Source: Daewoo Securities Research

Figure 1. Monthly pretax profit and market cap.



Source: Daewoo Securities Research

Figure 2. Mirae Asset Securities' P/B



Source: Daewoo Securities Research

Financial Statement

Balance Sheet (Summarized)

(Wbn)	09/03	10/03P	11/03F	12/03F
Cash and Deposits	1,201	1,340	1,343	1,364
Securities	4,602	5,298	6,524	7,782
Trading Securities	3,543	4,400	4,924	5,876
Securities Available for Sale	308	460	530	611
Securities Using Equity Method	400	360	397	439
Structured Securities	350	78	672	856
Derivatives	23	46	50	56
Loans	442	821	827	857
Tangible Assets	32	21	22	23
CMA Assets (Merchant Bank acct)	0	0	0	0
Lease Assets (Merchant Bank acct)	0	0	0	0
Other Assets	307	360	378	398
Total Assets	6,607	7,886	9,144	10,479
Deposits	909	927	931	963
Borrowings	3,850	4,908	6,015	7,157
Other Liabilities	190	298	298	298
Total Liabilities	4,949	6,133	7,244	8,418
Paid-in Capital	200	209	209	209
Capital Surplus	859	858	858	858
Capital Adjustment	-75	-82	-82	-82
Accum. Other Comprehensive Income	68	15	15	15
Retained Earnings	607	752	900	1,061
Total Stockholders' Equity	1,658	1,752	1,900	2,060

Income Statement (Summarized)

(Wbn)	09/03	10/03 P	11/03F	12/03F
Net Operating Revenue	483	526	553	596
Commissions Received	349	366	358	380
Net Brokerage Commissions	134	148	138	150
Asset Mgt. Commissions	162	156	157	165
Underwriting Commissions	30	30	29	30
Fees on Sales of Structured Sec.	15	9	11	12
Other Commissions	9	22	23	23
Net Interest Income	153	164	179	206
Net Prop Trading Income	13	-3	7	11
Others	-33	0	9	0
SG&A Expenses	291	331	358	381
Wages	168	190	193	211
IT Costs	11	12	12	13
Fixed Costs	36	36	40	42
Variable Costs	76	94	112	115
Bad-Debt Expenses	0	0	0	0
Operating Profit	192	195	195	216
Non-Operating Profit	-18	21	16	16
Recurring Profit	174	215	211	232
Tax	48	60	46	51
Net Profit	126	156	164	181

Major Indicators and Valuation

	09/03	10/03 P	11/03F	12/03F
Growth Rate (%)				
Total Assets	-5.7	19.3	16.0	14.6
Customers' Deposits	16.3	1.1	0.5	3.4
Total Shareholders' Equity	4.8	5.7	8.4	8.4
Net Commissions Income	-29.2	4.6	-2.0	6.1
Net Operating Income	-29.7	9.0	5.2	7.8
Operating Profit	-47.4	1.4	0.3	10.4
Net Profit	-52.8	23.3	5.7	10.0
Profitability Ratio (%)				
ROE	7.8	9.1	9.0	9.1
ROA	1.9	2.1	1.9	1.8
Management Efficiency Ratio (%)				
Net Oper. Revenue/SG&A	166.0	158.7	154.5	156.6
Commissions Income / SG&A	120.2	110.3	100.0	99.8

Major Indicators and Valuation

	09/03	10/03 P	11/03F	12/03F
Stability Ratios (%)				
Reserve Ratio	730.3	736.5	807.2	883.7
Net Liabilities / Shareholders' Equity	26.7	49.4	48.2	48.7
Investment Indicators				
EPS (W)	3,158	3,712	3,925	4,318
BPS (W)	41,517	41,826	45,358	49,185
P/E (X)	22.5	15.9	15.0	13.7
P/B (X)	1.7	1.4	1.3	1.2
DPS (W)				
Common	250	400	500	600
Preferred	0	0	0	0
Dividend Yield (%)				
Common	0.4	0.7	0.8	1.0
Preferred	0.0	0.0	0.0	0.0
Dividend Payout Ratio (%)	7.8	10.6	12.5	13.6

Source: Company data, Daewoo Securities Research estimates

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Buy	Relative Performance of +20% or greater
Trading Buy	Relative Performance of +10% or greater, but with variability/volatility
Hold	Relative Performance of -10% and +10%
Sell	Relative Performance of -10%

Analyst Industry Ratings of Daewoo Securities

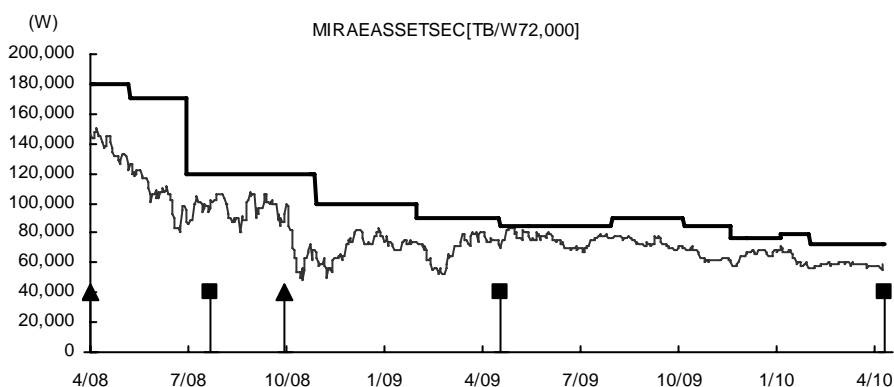
Overweight	Industry fundamentals are favorable or improving
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Source: Daewoo Securities

Ratings and Target Price History (Share price (----), Target price (----), Not covered (), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))



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