

POSCO Holdings

Cycle bottom in sight

Reiterate Rating: BUY | PO: 510,000 KRW | Price: 426,000 KRW

4Q23 roll margin squeeze: PO cut to W510,000

In 4Q23, POSCO Holdings posted W18.7tn revenue (-3%/-2% YoY/QoQ) and W304bn OP (TB/-75% YoY/QoQ) which came in -72%/-65% below BofA/consensus estimates. Steel division's W346bn OP (TB/-59% YoY/QoQ) and 2.2% OPM (vs. 6.2% in 2Q23) were impacted by squeezed roll margins (carbon steel ASP fell -3.3% QoQ or -W34k/t) while iron ore and coking coal spot prices in Dec'23 jumped +13% and 27%, respectively. Non-steel margins were mainly dragged by wider losses at the green material division. Trim our SOTP-based PO from W624,000 to W510,000 as we cut our FY24E EPS and adjust target P/E and EV/EBITDA multiple for steel and lithium (from 7.7x and 9.8x to 9.1x and 12.0x reflecting current global peer average).

Lithium: c.80% utilization rate targeted by 4Q24E

POSCO Holdings' dividend payout ratio rose to 44.7% (28.9% in 2022) as management remained committed to improve shareholder return policy (via minimum DPS of W10k). During the earnings conference call, the CSO reaffirmed plans to accelerate POSCO group's diversification into green materials even after the inauguration of new CEO (undetermined), although business targets (capex etc.) could see minor revisions in tandem with changes to end demand and/or new policies. POSCO Holdings guided that its new lithium production facilities (phase 1-2 for lithium ore-brine) are expected to reach average utilization rate of c.80% by 4Q24 and turn profitable from 1Q25.

Weak roll margin / lithium oversupply woes waning

We think most of the fundamental risks surrounding weak steel roll margins and lithium prices are priced in (0.6x FY24E PBV). While we expect POSCO Holdings' steel roll margins to bottom out in 3Q24 (e.g. regional HRC prices continued to inch up +1.5% or +\$8.2/t WoW this week while new coking coal supply additions of +10mt are expected this year), we also think lithium oversupply woes are mitigating in 1Q24E (workforce and capex cut plans by Core Lithium / Albemarle Corp etc.). Reiterate Buy; we continue to see new lithium operations as earnings-accretive to conventional steels for the company (W2.18tn average EBITDA in 2024E-30E).

Estimates (Dec) (W)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - bn)	7,196	3,560	1,846	1,931	3,427
EPS	95,152	46,942	24,338	25,461	45,185
EPS Change (YoY)	304.5%	-50.7%	-48.2%	4.6%	77.5%
Dividend / Share	17,000	12,000	10,000	10,000	10,000
ADR EPS (US\$)	20.79	9.09	4.58	4.79	8.50
ADR Dividend / Share (US\$)	3.71	2.32	1.88	1.88	1.88
Valuation (Dec)					
P/E	4.48x	9.08x	17.50x	16.73x	9.43x
Dividend Yield	3.99%	2.82%	2.35%	2.35%	2.35%
EV / EBITDA*	4.00x	6.00x	6.50x	7.03x	5.54x
Free Cash Flow Yield*	7.88%	2.13%	-0.397%	-3.20%	0.739%

* For full definitions of *Qmethod*SM measures, see page 9.

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Refer to important disclosures on page 10 to 13. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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Timestamp: 31 January 2024 03:30PM EST

01 February 2024

Equity

Key Changes

(W)	Previous	Current
Price Obj.	624,000.00	510,000.00
2023E EPS	38,090.92	24,337.77
2024E EPS	52,925.31	25,461.03
2025E EPS	69,541.49	45,184.99
2023E EBITDA (m)	8,655,321.8	7,885,460.3
2024E EBITDA (m)	10,015,292.4	7,292,229.3
2025E EBITDA (m)	11,671,446.8	9,256,518.2

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Stock Data

Price (Common / ADR)	426,000 KRW / 79.90 USD
Price Objective	510,000 KRW / 95.65 USD
Date Established	1-Feb-2024 / 1-Feb-2024
Investment Opinion	B-1-7 / C-1-7
52-Week Range	293,500 KRW-764,000 KRW
Market Value (mn)	27,101 USD
Market Value (mn)	36,027,344 KRW
Shares Outstanding (mn)	84.6 / 338.3
Average Daily Value (mn)	210.52 USD
Free Float	74.8%
BofA Ticker / Exchange	PKXFF / KSC
BofA Ticker / Exchange	PKX / NYS
Bloomberg / Reuters	005490 KS / 005490.KS
ROE (2023E)	3.5%
Net Dbt to Eqty (Dec-2022A)	8.2%

ASP: Average selling price

CSO: Chief Strategy Officer

CEO: Chief Executive Officer

HRC: Hot rolled coil

iQprofileSM POSCO Holdings

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(W Billions)					
Sales	76,332	84,750	77,127	87,477	96,068
Gross Profit	11,881	7,649	6,417	5,872	7,877
Sell General & Admin Expense	(2,643)	(2,799)	(2,886)	(3,004)	(3,235)
Operating Profit	9,238	4,850	3,531	2,868	4,641
Net Interest & Other Income	(472)	(1,512)	(1,396)	(894)	(761)
Associates	650	676	500	550	600
Pretax Income	9,416	4,014	2,635	2,524	4,480
Tax (expense) / Benefit	(2,220)	(454)	(789)	(593)	(1,053)
Net Income (Adjusted)	7,196	3,560	1,846	1,931	3,427
Average Fully Diluted Shares Outstanding	0.076	0.076	0.076	0.076	0.076

Key Cash Flow Statement Data					
Net Income	6,617	3,144	1,698	1,776	3,152
Depreciation & Amortization	3,579	3,694	4,354	4,424	4,615
Change in Working Capital	(7,071)	(335)	977	(1,164)	(911)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	3,133	(316)	(172)	1,812	1,909
Cash Flow from Operations	6,259	6,187	6,857	6,849	8,766
Capital Expenditure	(3,419)	(5,419)	(7,000)	(8,000)	(8,500)
(Acquisition) / Disposal of Investments	(431)	(349)	(349)	(349)	(349)
Other Cash Inflow / (Outflow)	(1,733)	1,548	(2,012)	1,987	(115)
Cash Flow from Investing	(5,584)	(4,220)	(9,361)	(6,362)	(8,963)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(1,311)	(1,218)	(846)	(846)	(846)
Cash Flow from Financing	(769)	1,319	22	854	1,174
Free Cash Flow	2,840	768	(143)	(1,151)	266
Net Debt	3,022	4,761	8,038	7,474	6,995
Change in Net Debt	289	(1,097)	3,250	(541)	(457)

Key Balance Sheet Data					
Property, Plant & Equipment	29,597	31,781	35,277	39,358	43,540
Other Non-Current Assets	15,253	18,976	25,189	25,141	27,452
Trade Receivables	11,771	11,557	10,712	11,664	12,476
Cash & Equivalents	18,731	19,554	17,198	18,665	19,770
Other Current Assets	16,119	16,539	15,422	16,067	16,575
Total Assets	91,472	98,407	103,798	110,894	119,814
Long-Term Debt	12,924	12,399	12,825	13,409	13,707
Other Non-Current Liabilities	2,659	4,563	5,683	7,956	11,324
Short-Term Debt	8,830	11,916	12,410	12,730	13,059
Other Current Liabilities	12,254	11,272	12,629	14,462	15,686
Total Liabilities	36,667	40,149	43,547	48,558	53,776
Total Equity	54,805	58,257	60,251	62,336	66,038
Total Equity & Liabilities	91,472	98,407	103,798	110,894	119,814

iQmethod SM - Bus Performance*					
Return On Capital Employed	9.7%	5.4%	3.0%	2.5%	3.7%
Return On Equity	15.2%	6.9%	3.5%	3.5%	5.9%
Operating Margin	12.1%	5.7%	4.6%	3.3%	4.8%
EBITDA Margin	16.8%	10.1%	10.2%	8.3%	9.6%

iQmethod SM - Quality of Earnings*					
Cash Realization Ratio	0.9x	1.7x	3.7x	3.5x	2.6x
Asset Replacement Ratio	1.1x	1.7x	2.4x	2.5x	2.4x
Tax Rate (Reported)	23.6%	11.3%	30.0%	23.5%	23.5%
Net Debt-to-Equity Ratio	5.5%	8.2%	13.3%	12.0%	10.6%
Interest Cover	21.0x	8.0x	5.8x	4.7x	7.6x

Key Metrics

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Steels

Company Description

Established in 1968, POSCO is the largest integrated steel mill of hot rolled, cold rolled and stainless steel in Korea and the 6th largest company in the world by steel production (43mn ton). POSCO operates two major steel works in Pohang and Gwangyang in Korea, and overseas upstream capacities in Indonesia (PT. Krakatau), China (Jangjiagang), and Vietnam (SS Vina). Other key subsidiaries are POSCO International, POSCO E&C, POSCO Energy, and POSCO Chemical.

Investment Rationale

Main catalysts are: 1) weaker USD, 2) China's reopening, and 3) reinforced trade protectionism that should lead to wider domestic steel price premium (vs. import prices) and 4) segment expansion to new business areas (lithium). We expect the stock price to trend closer to post-IRA hegemony than commodity cycle since stock's correlation with iron ore prices fell to 24% in 2016-3Q22 vs. 72% in 2005-15.

Stock Data

Shares / ADR	0.25
Price to Book Value	0.7x

Key Changes

(US\$)	Previous	Current
Price Obj.	111.42	95.65
2023E EPS	7.16	4.58
2024E EPS	9.95	4.79
2025E EPS	13.08	8.50

Exhibit 1: POSCO - 4Q23 results summary

POSCO Holdings posted W304bn OP in 4Q23 (TB YoY, -74.6% QoQ) versus our estimate of W1.1tn and consensus' W866bn

		4Q23					4Q22		3Q23	
		P	BofAe	Diff (%)	Consensus	Diff (%)	A	YoY %	A	QoQ %
Revenue	Wbn	18,664	19,756	-5.5%	19,224	-2.9%	19,248	-3.0%	18,961	-1.6%
Steel	Wbn	15,419	16,005	-3.7%			15,112	2.0%	15,803	-2.4%
Trading	Wbn	10,322	10,522	-1.9%			10,218	1.0%	10,452	-1.2%
E&C	Wbn	2,795	2,302	21.4%			2,469	13.2%	2,459	13.7%
Energy	Wbn	123	29	329.6%			1,178	-89.6%	38	220.6%
ICT	Wbn	357	372	-4.1%			444	-19.5%	355	0.6%
Green Materials	Wbn	1,154	1,352	-14.7%			808	42.8%	1,313	-12.1%
Operating profit	Wbn	304	1,073	-71.7%	866	-64.9%	-425	TB	1,196	-74.6%
OP margin	%	1.6%	5.4%		4.5%		-2.2%		6.3%	
Net profit	Wbn	-321	723	-144.4%	423	-175.8%	-737	RR	551	TR
Net margin	%	-1.7%	3.7%		2.2%		-3.8%		2.9%	

Source: Company data, BofA Global Research estimates, Bloomberg

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Exhibit 2: Summary of steel price movements

Snapshot of steel price movements

Steel Price Reference	Current Price (USD/t)	w/w Change (USD/t)	w/w Change (%)	m/m Change (%)	y/y Change (%)	Last Change
China Domestic						
HRC	568.5	8.22	1.47%	-0.24%	-8.20%	26-Jan-24
HRC Cash Margin	-46.0	9.09	16.52%	-16.15%	n.m.	26-Jan-24
Rebar	542.0	6.77	1.26%	-1.50%	-11.85%	26-Jan-24
Rebar Cash Margin	-60.5	10.32	14.57%	-53.93%	n.m.	26-Jan-24
China Export						
HRC	561.0	5.00	0.90%	-1.06%	-11.51%	25-Jan-24
Rebar	566.0	2.00	0.35%	1.25%	-10.30%	26-Jan-24
Brazil Domestic*						
HRC	4,000.0	0.00	0.00%	0.00%	-14.89%	15-Sep-23
HRC Cash Margin	1,958.1	-21.61	-1.09%	-0.67%	-27.36%	26-Jan-24
Rebar	3,750.0	0.00	0.00%	0.00%	-12.79%	27-Oct-23
Rebar Cash Margin	2,800.0	-0.27	-0.01%	0.00%	-16.65%	22-Jan-24

Source: BofA Global Research, Platts

(*) Brazilian prices in BRL

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Exhibit 3: Summary of raw materials price movements

Snapshot of raw materials price movements

Steel Price Reference	Current Price (USD/t)	w/w Change (USD/t)	w/w Change (%)	m/m Change (%)	y/y Change (%)	Last Change
Raw Materials						
HCC Australia	329.8	-3.25	-0.98%	1.85%	0.08%	26-Jan-24
HCC China	325.0	0.00	0.00%	-2.99%	1.56%	19-Jan-24
Iron Ore 62 Kallanish	136.2	4.96	3.78%	-3.36%	10.27%	26-Jan-24
Iron Ore 58	121.4	4.55	3.90%	-4.45%	12.94%	26-Jan-24
Iron Ore 62	136.2	5.60	4.29%	-3.71%	6.87%	26-Jan-24
Iron Ore 65	148.4	5.85	4.10%	-2.05%	5.06%	26-Jan-24
Iron Ore 58 Discount to 62	14.8	1.05	7.64%	2.78%	-25.81%	26-Jan-24
Iron Ore 65 Premium to 62	12.3	0.25	2.08%	21.29%	-11.55%	25-Jan-24
Iron Ore 62 Lump	145.4	0.84	0.58%	-3.18%	13.52%	26-Jan-24
Iron Ore Pellet	155.7	0.35	0.23%	-0.26%	4.52%	26-Jan-24
Brazil Pig Iron	452.5	0.00	0.00%	2.84%	-4.74%	8-Jan-24
Black Sea Pig Iron	390.0	0.00	0.00%	0.65%	-0.64%	19-Jan-24

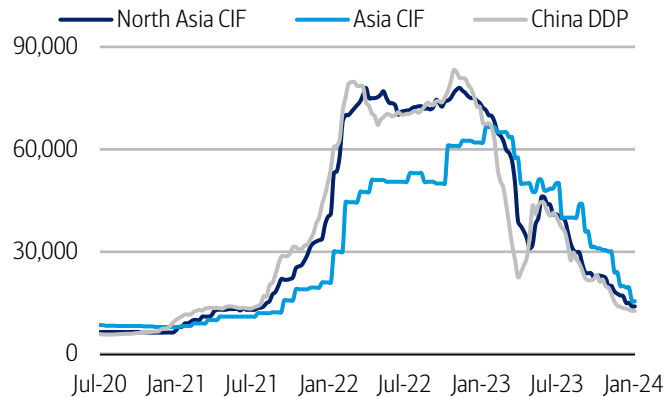
Source: BofA Global Research, Platts, MySteel, Bloomberg

(**) Simplified cash margins calculated based on steel futures prices - iron ore futures

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Exhibit 4: Lithium carbonate prices (\$/t)

Chemicals prices have given back almost all of the gains

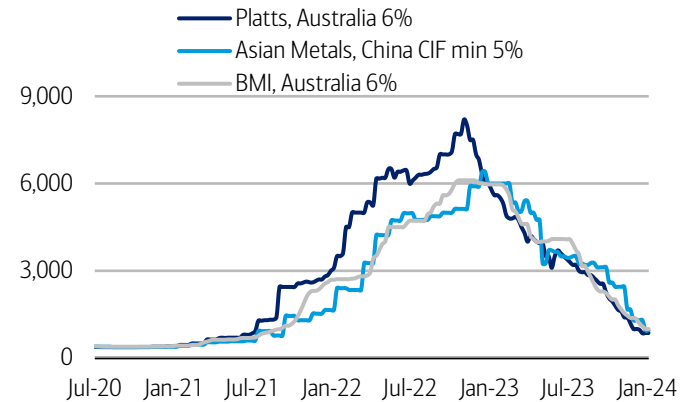


Source: Bloomberg, BofA Global Research

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Exhibit 5: Lithium spodumene prices (\$/t)

Lithium spodumene is back below \$1,000/t

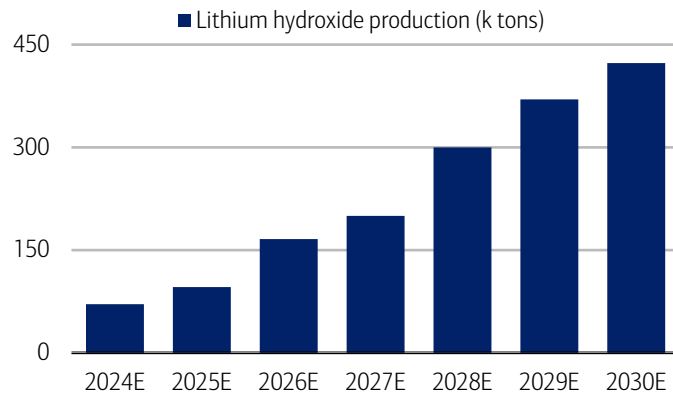


Source: Bloomberg, BofA Global Research

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Exhibit 6: POSCO – Lithium hydroxide production projection

We project 71k/96k tons of production in FY24E/25E

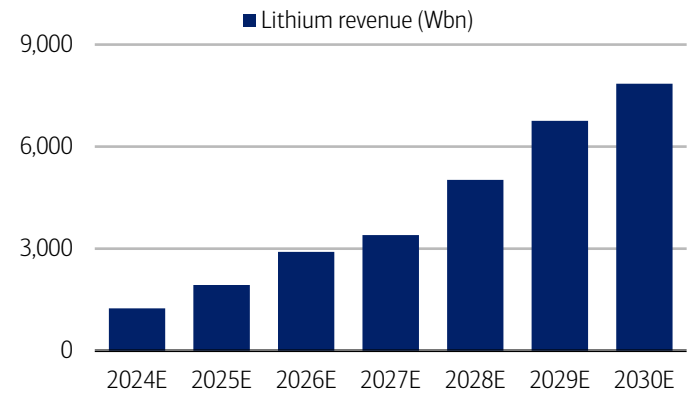


Source: BofA Global Research estimates

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Exhibit 7: POSCO – Lithium revenue projection

We project W1.2tn/W1.9tn revenue in FY24E/25E

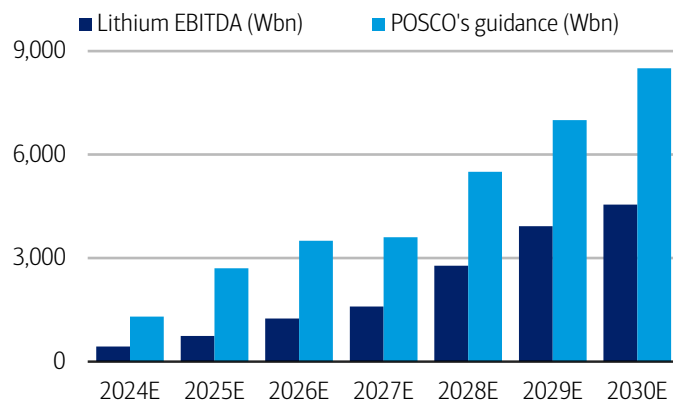


Source: BofA Global Research estimates

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Exhibit 8: POSCO – Lithium EBITDA projection vs. guidance

We project W430bn/W738bn EBITDA in FY24E/25E

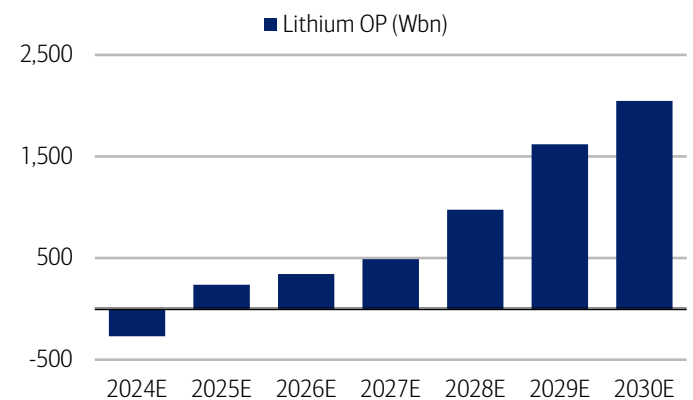


Source: Company data, BofA Global Research estimates

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Exhibit 9: POSCO – Lithium EBIT projection

We project -W270bn/W238bn EBIT in FY24E/25E



Source: BofA Global Research estimates

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Exhibit 10: POSCO – Annual earnings forecast snapshot

We project W2.8tn/W4.6tn EBIT in FY24/25E

		2020 A	2021 A	2022 A	2023 E	2024 E	2025 E
Revenue	Wbn	57,793	76,332	84,750	77,127	87,477	96,068
YOY	%	-10.2%	32.1%	11.0%	-9.0%	13.4%	9.8%
Steel	Wbn	44,258	64,242	70,650	63,539	66,224	68,796
YoY	%	-11.1%	45.2%	10.0%	-10.1%	4.2%	3.9%
OP	Wbn	1,217	8,378	3,237	2,557	1,838	2,498
OPM	%	2.7%	13.0%	4.6%	4.0%	2.8%	3.6%
Trading	Wbn	32,292	44,881	49,591	42,944	43,803	44,679
OP	Wbn	460	612	873	1,134	1,139	1,162
OPM	%	1.4%	1.4%	1.8%	2.6%	2.6%	2.6%
E & C	Wbn	7,610	7,457	8,886	10,268	10,370	10,474
OP	Wbn	390	426	323	212	218	220
OPM	%	5.1%	5.7%	3.6%	2.1%	2.1%	2.1%
Energy	Wbn	1,595	2,044	3,807	247	249	251
OP	Wbn	253	215	293	53	52	53
OPM	%	15.9%	10.5%	7.7%	21.3%	21.0%	21.0%
I C T	Wbn	974	872	1,157	1,488	1,503	1,518
OP	Wbn	30	(20)	64	109	120	121
OPM	%	3.1%	-2.3%	5.6%	7.3%	8.0%	8.0%
Green Materials	Wbn	1,614	2,089	3,388	4,822	7,328	12,350
YoY	%	6.7%	29.4%	62.2%	42.3%	52.0%	68.5%
OP	Wbn	54	113	143	(161)	(106)	981
OPM	%	3.3%	5.4%	4.2%	-3.3%	-1.4%	7.9%
EBIT	Wbn	2,403	9,238	4,850	3,531	2,868	4,641
YoY	%	-37.9%	284.4%	-47.5%	-27.2%	-18.8%	61.8%
OPM	%	4.2%	12.1%	5.7%	4.6%	3.3%	4.8%

Source: Company data, BofA Global Research estimates

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Exhibit 11: POSCO – Quarterly earnings forecast snapshot

We expect W416bn/530bn EBIT in 1Q24E/2Q24E

		1Q23 A	2Q23 A	3Q23 A	4Q23 P	1Q24 E	2Q24 E	3Q24 E	4Q24 E
Revenue	Wbn	19,381	20,121	18,961	18,664	21,353	22,704	21,844	21,577
YOY	%	-9.2%	-12.6%	-10.4%	-3.0%	10.2%	12.8%	15.2%	15.6%
Steel	Wbn	15,770	16,547	15,803	15,419	16,425	17,284	16,393	16,122
YoY	%	-14.4%	-14.4%	-11.1%	2.0%	4.2%	4.5%	3.7%	4.6%
OP	Wbn	338	1,021	853	346	152	228	471	987
OPM	%	2.1%	6.2%	5.4%	2.2%	0.9%	1.3%	2.9%	6.1%
Trading	Wbn	10,539	11,631	10,452	10,322	10,750	11,863	10,661	10,528
OP	Wbn	280	354	305	195	269	297	309	264
OPM	%	2.7%	3.0%	2.9%	1.9%	2.5%	2.5%	2.9%	2.5%
E & C	Wbn	2,387	2,627	2,459	2,795	2,411	2,654	2,483	2,822
OP	Wbn	55	54	57	45	51	53	57	57
OPM	%	2.3%	2.0%	2.3%	1.6%	2.1%	2.0%	2.3%	2.0%
Energy	Wbn	48	37	38	123	49	38	39	124
OP	Wbn	17	6	7	23	10	8	8	26
OPM	%	35.1%	15.3%	18.5%	18.6%	21.0%	21.0%	21.0%	21.0%
I C T	Wbn	407	369	355	357	411	373	358	361
OP	Wbn	30	32	33	15	31	30	30	29
OPM	%	7.3%	8.7%	9.2%	4.1%	7.5%	8.0%	8.5%	8.1%
Green Materials	Wbn	1,162	1,194	1,313	1,154	1,307	1,493	1,909	2,619
YoY	%	62.7%	47.4%	24.3%	42.8%	12.5%	25.1%	45.4%	127.0%
OP	Wbn	10	4	(6)	(169)	4	25	53	(187)
OPM	%	0.8%	0.4%	-0.5%	-14.7%	0.3%	1.7%	2.8%	-7.2%
EBIT	Wbn	705	1,326	1,196	304	416	530	879	1,043
YoY	%	-68.8%	-36.8%	30.1%	-171.5%	-41.0%	-60.0%	-26.5%	242.7%
OPM	%	3.6%	6.6%	6.3%	1.6%	1.9%	2.3%	4.0%	4.8%

Source: Company data, BofA Global Research estimates

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Exhibit 12: POSCO - SOTP valuation summary

We assign 12x EV/EBITDA (lithium producers' peer average) to POSCO's Lithium EBITDA (W2.2tn average in FY24E-30E)

SOTP items	Units	2024E basis	Remarks
Steel operations	Wbn	12,546	
Target P/E	x	9.1	On par with global peer average (FY24E basis)
Steel NOPAT	Wbn	1,379	
Non-steel business	Wbn	37,780	
POSCO Future M	Wbn	5,277	
- Stake	%	60%	
Target Market cap	Wbn	19,636	Current market value
- Discount	%	55%	Average holding company discount in Korea
POSCO International	Wbn	2,620	
- Stake	%	63%	
Market cap	Wbn	9,254	Current market value
- Discount	%	55%	Average holding company discount in Korea
Lithium operations	Wbn	26,133	
Target EV/EBITDA	x	12.0	Peer average of global lithium producers (FY24E)
- lithium EBITDA (FY24E-30E)	Wbn	2,178	BofA forecast (FY24E-30E average)
Other non-core assets	Wbn	3,750	
- Discount	%	25%	Limited stake disposal potentials in next 5 years
Asset value	Wbn	5,000	Based on book value as of 2022
Net debt	Wbn	7,474	
Target NAV		42,851	
No. of shares	mn	85	
NAV/share	Won	506,690	
Price objective	Won	510,000	

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

POSCO Holdings (PKXFF / PKX)

Our PO of W510,000 (ADR US\$95.65) is derived using a SOTP valuation. For steel business, we apply a 9.1x target FY24E P/E, which is on par with global peer average (FY24E basis). For new lithium business, we use EV/EBITDA valuation, given the improving earnings visibility from lithium ore/brine production. That said, we assign a 12x target FY24E EV/EBITDA, which is peer average of global lithium producers (FY24E). We apply 25% discount to its affiliate holdings (average holding company discount rate in Korea). Last, we deduct net debt of cW7.4tn.

Downside risks are

(1) Strong USD trend could lead to unfavorable roll margin, (2) potential delays to US IRA implementation, (3) ramp-up of new lithium capacity by global producers could propel lithium price correction, (4) slower-than-expected industrial activity recommencement post lockdown lifting in China, (5) delays to repair/restoration schedule of POSCO's blast furnace in Pohang, (6) revival of SME steel mill capacity in China/Korea to intensify price competition, and (7) backlog deflation of Korean carmakers/shipbuilders in FY23E which could result in ASP downside.

Upside risks are

(1) Enhanced trade barriers and accelerated US reshoring to result in higher shortages of rare metals/materials for green cars (e.g. electric-vehicles), (2) stronger-than-expected capex and fixed asset investment growth in emerging markets to support end demand for long steels.

Analyst Certification

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APR - Metals, Mining & Steel Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY	Anhui Conch	AHCHF	914 HK	Matty Zhao
	Anhui Conch -A	AHCAF	600585 CH	Matty Zhao
	Banpu Pcl	XJCEF	BANPU TB	Komsun Suksumrun
	Baosteel	BAOSF	600019 CH	Matty Zhao
	Chalco	ALMMF	2600 HK	Matty Zhao
	Chalco -A	XAMTF	601600 CH	Matty Zhao
	China Shenhua	CUAEF	1088 HK	Matty Zhao
	China Shenhua	XCUAF	601088 CH	Matty Zhao
	CMOC Group Ltd	CMCLF	3993 HK	Miriam Chan, CFA
	CMOC Group Ltd	XCMUF	603993 CH	Miriam Chan, CFA



APR - Metals, Mining & Steel Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	CNBM	CBUMF	3323 HK	Matty Zhao
	De Grey Mining	DGMLF	DEG AU	Meredith Schwarz
	Jiangxi Copper	JIAXF	358 HK	Matty Zhao
	Jiangxi Copper	JGXC	600362 CH	Matty Zhao
	Lynas Rare Earths	LYSCF	LYC AU	Chen Jiang
	Lynas Rare Earths	LYSDY	LYSDY US	Chen Jiang
	Maanshan Iron & Steel	MAANF	323 HK	Matty Zhao
	Maanshan Iron & Steel -A	MISIF	600808 CH	Matty Zhao
	Nickel Asia Corporation	NCKAF	NIKL PM	Philip Albert Felix
	POSCO Holdings	PKXFF	005490 KS	KJ Hwang
	POSCO Holdings	PKX	PKX US	KJ Hwang
	SD Gold	SGOLF	600547 CH	Miriam Chan, CFA
	SD Gold	SDGMF	1787 HK	Miriam Chan, CFA
	Semirara Mining Corporation	SMIRF	SCC PM	Julian Roxas
	Yankuang Energy	YZCHF	1171 HK	Matty Zhao
	Yankuang Energy	YZCIF	600188 CH	Matty Zhao
	Zijin Mining	ZIJMF	2899 HK	Matty Zhao
	Zijin Mining	XZNM	601899 CH	Matty Zhao

NEUTRAL

	Angang Steel	ANGGF	347 HK	Matty Zhao
	Angang Steel -A	AGGSF	000898 CH	Matty Zhao
	Capricorn Metals	CRNLF	CMM AU	Meredith Schwarz
	China Coal	CCOZF	1898 HK	Matty Zhao
	China Coal	XAWLF	601898 CH	Matty Zhao
	Conch Venture	CCVTF	586 HK	Matty Zhao
	CR Cement	CJRCF	1313 HK	Matty Zhao
	Ganfeng Lithium	GNENF	1772 HK	Matty Zhao
	Ganfeng Lithium	XMOZF	002460 CH	Matty Zhao
	Iluka Resources Limited	ILKAF	ILU AU	Chen Jiang
	Lee & Man Paper	LMPMF	2314 HK	Matty Zhao
	Liontown Resources	LINRF	LTR AU	Jonathan Mannes
	Nine Dragons Paper	NDGPF	2689 HK	Matty Zhao
	PT Merdeka Battery Materials	XDMBF	MBMA IJ	Edward Leung, CFA

UNDERPERFORM

	BBMG	BBMGF	2009 HK	Matty Zhao
	BBMG -A	XMRHF	601992 CH	Matty Zhao
	Chengxin Lithium Group	XCNGF	002240 CH	Edward Leung, CFA
	Core Lithium	CXOXF	CXO AU	Jonathan Mannes
	Siam Cement	SCVQF	SCC TB	Komsun Suksumrun
	Sichuan Yahua Industrial Group	XVHEF	002497 CH	Edward Leung, CFA
	Tianqi Lithium	TQLCF	002466 CH	Matty Zhao
	Tianqi Lithium	XYECF	9696 HK	Matty Zhao
	Xinyi Glass	XYIGF	868 HK	Matty Zhao

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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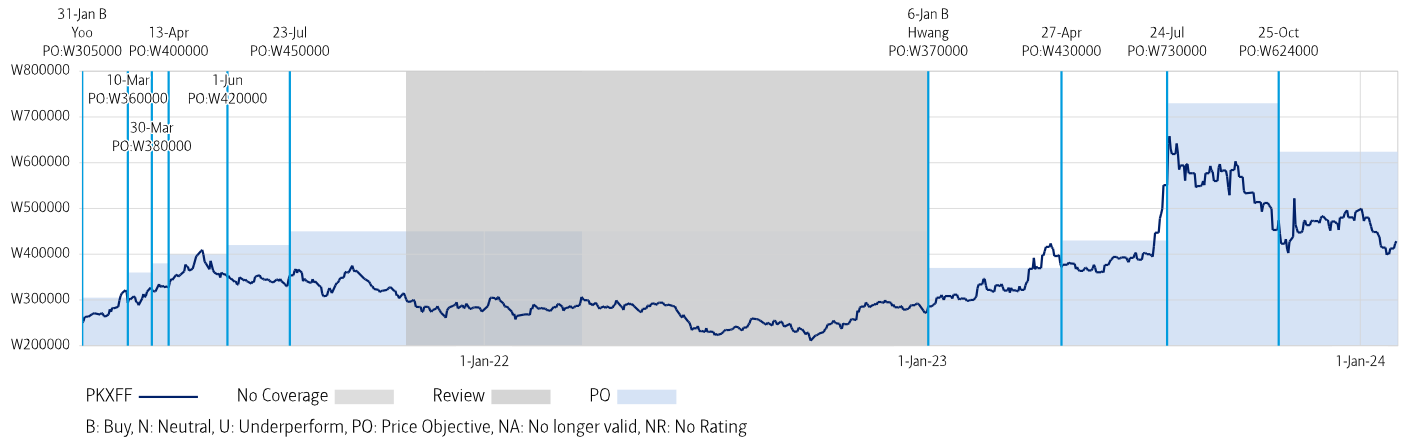
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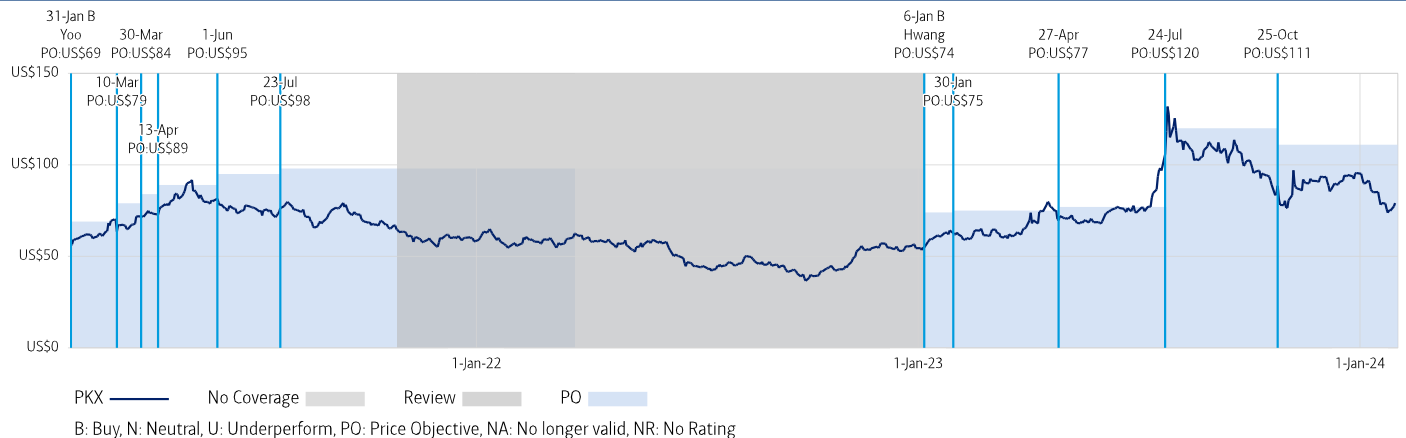
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POSCO (PKXFF) Price Chart



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POSCO (PKX) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Steel Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	14	43.75%	Buy	9	64.29%
Hold	12	37.50%	Hold	7	58.33%
Sell	6	18.75%	Sell	3	50.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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