COMPANY UPDATE

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Alternative Investment Team

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HDC Hyundai Development (294870)

3Q preview; time to see the forest

- We expect HDC Hyundai Development to report 3Q consolidated operating profit of KRW72.9b, falling short of FnGuide-based consensus of KRW88.9b.
- The probable miss is ascribable to: 1) a delay in contract value expansion, which drove up the COGS ratio at the contracted project segment; and 2) a project-mix change that diminished earnings at the in-house project segment.
- We anticipate robust earnings momentum through 2028, backed by smooth progress in major projects—a differentiating factor from its peers, whose earnings growth should be limited by reduced housing backlogs.

WHAT'S THE STORY?

3Q preview: We expect HDC Hyundai Development to report 3Q consolidated sales of KRW1.07t (down 0.8% y-y) and an operating profit of KRW72.9b (up 53.5% y-y; 18% short of FnGuide-based consensus of KRW88.9b). The probable miss is attributable to: 1) rising COGS at the contracted housing projects; and 2) falling profitability at in-house projects caused by project-mix change.

- Contracted projects: A delay in contract value expansion likely raised the COGS ratio, but the contract value should grow in 4Q.
- In-house projects: Sales at this segment likely increased on the recognition of sales from Suwon I'Park City #11 and #12 blocks (deferred in 2Q25). Yet, earnings likely fell q-q as these complexes offer lower margins than Seoul One I'Park City does. We anticipate better earnings in 4Q on a rising sales portion from the lucrative Seoul One I'Park City.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2023	2024	2025E	2026E
Revenue	4,191	4,256	4,206	4,321
Operating profit	195	185	297	419
Net profit (adj)	173	156	244	340
EPS (adj) (KRW)	2,626	2,363	3,697	5,160
EPS (adj) growth (% y-y)	243.6	-10.0	56.5	39.6
EBITDA margin (%)	6.1	5.7	8.1	10.6
ROE (%)	5.9	5.1	7.6	9.9
P/E (adj) (x)	5.6	7.6	5.2	3.7
P/B (x)	0.3	0.4	0.4	0.3
EV/EBITDA (x)	8.3	9.3	7.2	5.0
Dividend yield (%)	4.8	3.9	3.6	3.6

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW28,000	45.8%
Current price	**KRW19,200**	
Market cap	KRW1.3t/USD0.9b	
Shares (float)	65,907,330 (53.7%)	
52-week high/low	KRW27,100/KRW16,100	
Avg daily trading value (60-day)	KRW5.5b/ USD3.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HDC Hyundai Development (%)	-8.4	-13.1	-12.1
Vs Kospi (%pts)	-17.4	-43.5	-40.1

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	28,000	31,000	-9.7%
2025E EPS	3,697	4,285	-13.7%
2026E EPS	5,160	6,021	-14.3%

SAMSUNG vs THE STREET

No of estimates	17
Target price	31,853
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

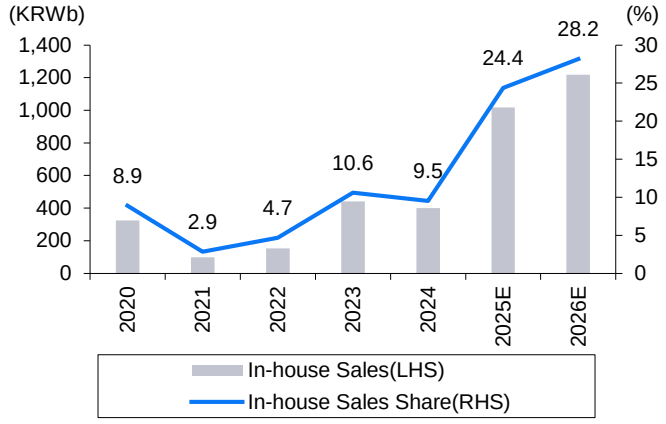
Time to see the forest, not the trees: HDC Hyundai Development's major projects should progress smoothly and such sales should be booked largely in 2027-2028, when sales should reach KRW7t-KRW8t, roughly twice the 2024 level. This should make the company stand out as many of its peers' earnings growth should be limited by reduced housing backlogs. As these major projects should offer strong margins, the constructor should be able to enjoy both quantitative and qualitative growth over the next three years. While tighter regulations for constructors and low housing supply may keep weighing on investor sentiment toward housing builders, these issues should have little impact on the firm's operating results. Reflecting our lowered earnings estimates, we cut our target price by 9.7%. Yet, we maintain BUY on prospect of its differentiated earnings momentum.

Table 1. Revenue schedule of main projects

	Project		Sales (KRWb)	Revenue schedule(Estimates)							Construction Period
				2024	2025	2026	2027	2028	2029	2030	
In-house housing (KRW 4.2t)	Seoul One l'Park		28,901	■	■	■	■	■			'24.11 ~ '28.07
	Cheongju Gagyeong l'Park (Complexes 7 & 8)		8,303			■	■	■	■		Starts at '26
	Cheonan l'Park City	Buseong 3	4,971		■	■	■	■			Starts at '25
		Seongseong 5, Buseong 4~6, Budae 1	13,277	■	■	■	■	■			Starts at '24 ~ '25
Contracted housing (KRW 4.0t)	City O Ciel (Complexes 1~9)		12,645	■	■	■	■	■	■		Starts at '21 ~ '27
	Paju Medical Cluster		10,019		■	■	■	■			Starts at '25
	Yongsan Hospital Site		2,944			■	■	■	■	■	Starts at '26
	Gongneung Station Area		1,408			■	■	■	■	■	Starts at '26
Building (KRW 2.6t)	Bokjeong Station Area		13,597			■	■	■	■		Starts at '26
	Chengna Medical Complex		6,920			■	■	■	■	■	Starts at '26
	Jamsil Sports & MICE Complex		5,086			■	■	■	■	■	Starts at '26

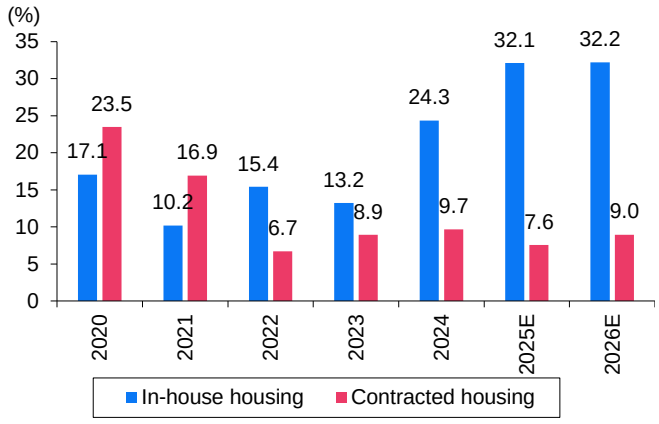
Source: Company data, Samsung Securities

Chart 1. Trend of in-house sales



Source: Company data, Samsung Securities

Chart 2. GP Margin of in-house & contracted project



Source: Company data, Samsung Securities

HDC Hyundai Development: Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E	2022	2023	2024	2025E	2026E
Sales	**955.4**	**1,087.2**	**1,088.6**	**1,125.0**	**905.7**	**1,163.2**	**1,079.6**	**1,057.7**	**3,298.3**	**4,190.8**	**4,256.2**	**4,206.2**	**4,321.3**
Growth (% y-y)	-11.1	16.4	5.4	-2.1	-5.2	7.0	-0.8	-6.0	-2.0	27.1	1.6	-1.2	2.7
Housing (in-house)	**74.3**	**52.7**	**87.6**	**186.3**	**227.2**	**212.1**	**311.7**	**266.3**	**153.3**	**441.2**	**400.9**	**1,017.3**	**1,217.5**
Growth (% y-y)	-74.2	-14.1	151.8	228.6	205.8	302.7	255.8	42.9	56.7	187.7	-9.1	153.8	19.7
Housing (contracted)	**509.4**	**669.7**	**610.0**	**666.8**	**504.0**	**722.4**	**566.5**	**590.2**	**1,994.6**	**2,531.0**	**2,455.9**	**2,383.1**	**2,311.7**
Growth (% y-y)	3.6	13.0	-13.5	-10.1	-1.1	7.9	-7.1	-11.5	-18.6	26.9	-3.0	-3.0	-3.0
Infra/SOC	**76.0**	**82.7**	**73.3**	**75.9**	**61.5**	**76.9**	**72.9**	**73.1**	**386.8**	**271.4**	**307.9**	**284.4**	**315.3**
Growth (% y-y)	59.6	23.4	7.5	-14.3	-19.1	-7.0	-0.6	-3.7	-18.5	-29.8	13.5	-7.7	10.9
Building	**223.4**	**216.2**	**251.7**	**144.7**	**51.3**	**84.1**	**78.0**	**77.6**	**358.1**	**598.9**	**836.0**	**291.0**	**274.8**
Growth (% y-y)	81.3	63.2	69.0	-25.5	-77.0	-61.1	-69.0	-46.4	210.3	67.2	39.6	-65.2	-5.6
Overseas/Other	**72.4**	**65.9**	**66.0**	**51.3**	**61.7**	**67.7**	**50.5**	**50.5**	**405.5**	**348.3**	**255.6**	**230.5**	**202.0**
Growth (% y-y)	-41.6	-17.6	-13.7	-24.5	-14.7	2.8	-23.5	-1.6	79.3	-14.1	-26.6	-9.8	-12.3
Gross profit	**82.4**	**112.9**	**97.7**	**109.1**	**106.6**	**147.2**	**140.7**	**150.3**	**316.5**	**380.7**	**402.0**	**543.2**	**672.9**
Growth (% y-y)	-9.0	92.9	-6.8	-13.9	29.3	30.4	44.1	37.8	-36.2	20.3	5.6	35.1	23.9
Housing (in-house)	21.7	8.9	12.9	54.0	72.9	81.4	88.5	83.6	23.6	58.4	97.6	326.5	392.2
Housing (contracted)	45.3	80.5	67.7	44.0	33.8	62.8	38.0	45.4	133.5	226.0	237.5	180.0	206.9
Infra/SOC	13.2	17.9	12.0	7.1	8.5	7.9	9.0	12.5	92.2	34.9	50.2	38.0	48.2
Building	-4.3	3.4	-2.5	1.7	-17.5	-6.2	0.5	0.9	0.6	17.1	-1.6	-22.4	6.4
Overseas/Other	6.5	2.2	7.6	2.3	8.8	1.2	4.8	7.9	66.5	44.3	18.4	22.7	19.3
Gross margin (%)	**8.6**	**10.4**	**9.0**	**9.7**	**11.8**	**12.7**	**13.0**	**14.2**	**9.6**	**9.1**	**9.4**	**12.9**	**15.6**
Housing (in-house)	29.3	17.0	14.7	29.0	32.1	38.4	28.4	31.4	15.4	13.2	24.3	32.1	32.2
Housing (contracted)	8.9	12.0	11.1	6.6	6.7	8.7	6.7	7.7	6.7	8.9	9.7	7.6	9.0
Infra/SOC	17.3	21.6	16.4	9.3	13.9	10.3	12.4	17.1	23.8	12.9	16.3	13.3	15.3
Building	-1.9	1.6	-1.0	1.2	-34.1	-7.4	0.6	1.1	0.2	2.8	-0.2	-7.7	2.3
Overseas/Other	8.9	3.3	11.5	4.5	14.3	1.8	9.4	15.6	16.4	12.7	7.2	9.8	9.5
Operating profit	**41.6**	**53.8**	**47.5**	**41.8**	**54.0**	**80.3**	**72.9**	**90.1**	**116.4**	**195.3**	**184.6**	**297.3**	**419.3**
Growth (% y-y)	-17.0	839.0	-23.5	-46.1	29.8	49.1	53.5	115.9	-57.4	67.8	-5.5	61.0	41.1
Operating margin (%)	4.4	5.0	4.4	3.7	6.0	6.9	6.7	8.5	3.5	4.7	4.3	7.1	9.7
Net profit	**30.5**	**47.4**	**32.7**	**45.2**	**54.2**	**52.7**	**61.7**	**75.1**	**50.2**	**172.9**	**155.7**	**243.7**	**340.1**
Growth (% y-y)	-24.6	211.1	-47.3	-18.2	77.8	11.2	88.6	66.3	-71.5	244.3	-9.9	56.5	39.6
Net margin (%)	3.2	4.4	3.0	4.0	6.0	4.5	5.7	7.1	1.5	4.1	3.7	5.8	7.9

Source: Company data, Samsung Securities estimates

HDC Hyundai Development: Valuation

		Note
BVPS (KRW)	54,970	12M forward BVPS
Target P/B (x)	0.51	Target P/B derived by COE-ROE Relationship
Target price (KRW)	**28,000**	
Current price (KRW)	19,200	Oct 21 close
Upside (%)	45.8	

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Sales	**3,298**	**4,191**	**4,256**	**4,206**	**4,321**
Cost of goods sold	2,982	3,810	3,854	3,661	3,648
Gross profit	**316**	**381**	**402**	**545**	**673**
Gross margin (%)	9.6	9.1	9.4	13.0	15.6
SG&A expenses	200	185	217	248	254
Operating profit	**116**	**195**	**185**	**297**	**419**
Operating margin (%)	3.5	4.7	4.3	7.1	9.7
Non-operating gains (losses)	**5**	**42**	**16**	**16**	**32**
Financial profit	107	97	85	94	96
Financial costs	63	47	64	72	85
Equity-method gains (losses)	8	0	0	-3	0
Other	-48	-9	-6	-4	21
Pre-tax profit	**121**	**237**	**200**	**313**	**451**
Taxes	71	64	45	69	111
Effective tax rate (%)	58.5	27.1	22.3	22.1	24.6
Profit from continuing operations	50	173	156	244	340
Profit from discontinued operations	0	0	0	0	0
Net profit	**50**	**173**	**156**	**244**	**340**
Net margin (%)	1.5	4.1	3.7	5.8	7.9
Net profit (controlling interests)	50	173	156	244	340
Net profit (non-controlling interests)	-0	-0	0	0	0
EBITDA	163	255	243	343	457
EBITDA margin (%)	4.9	6.1	5.7	8.1	10.6
EPS (parent-based) (KRW)	764	2,626	2,363	3,697	5,160
EPS (consolidated) (KRW)	762	2,623	2,363	3,697	5,160
Adjusted EPS (KRW)*	764	2,626	2,363	3,697	5,160

Balance sheet

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Current assets	**5,443**	**4,987**	**5,380**	**5,356**	**5,744**
Cash & equivalents	564	558	825	1,091	1,286
Accounts receivable	1	10	9	8	8
Inventories	1,575	1,507	1,854	1,743	1,822
Other current assets	3,302	2,912	2,693	2,514	2,627
Fixed assets	**1,894**	**2,029**	**2,081**	**2,554**	**2,546**
Investment assets	621	595	816	822	851
Tangible assets	441	484	485	765	729
Intangible assets	13	11	12	10	9
Other long-term assets	819	939	769	957	957
Total assets	**7,336**	**7,016**	**7,462**	**7,910**	**8,290**
Current liabilities	**3,459**	**3,148**	**3,510**	**3,610**	**3,684**
Accounts payable	191	236	220	207	216
Short-term debt	1,512	1,137	1,340	1,558	1,558
Other current liabilities	1,756	1,775	1,950	1,845	1,910
Long-term liabilities	**975**	**861**	**837**	**997**	**1,008**
Bonds & long-term debt	645	495	532	706	706
Other long-term liabilities	331	365	305	291	302
Total liabilities	**4,434**	**4,008**	**4,347**	**4,607**	**4,692**
Owners of parent equity	**2,894**	**3,008**	**3,115**	**3,303**	**3,598**
Capital stock	330	330	330	330	330
Capital surplus	1,605	1,603	1,606	1,606	1,606
Retained earnings	974	1,097	1,199	1,399	1,695
Other	-14	-22	-20	-32	-32
Non-controlling interests' equity	**8**	**0**	**0**	**0**	**0**
Total equity	**2,902**	**3,008**	**3,115**	**3,303**	**3,598**
Net debt	589	1,154	1,058	1,217	1,003

Cash flow statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025E	2026E
Cash flow from operations	**-1,735**	**640**	**314**	**-7**	**289**
Net profit	50	173	156	244	340
Non-cash profit and expenses	256	253	215	179	137
Depreciation	44	57	55	43	36
Amortization	3	3	3	2	2
Other	210	194	157	134	100
Changes in A/L from operating activities	-1,971	222	13	-356	-89
Cash flow from investments	**1,271**	**-143**	**-98**	**-44**	**-47**
Change in tangible assets	-82	-65	-34	-29	0
Change in financial assets	438	1,026	-233	85	-47
Other	915	-1,105	169	-100	-1
Cash flow from financing	**677**	**-504**	**47**	**312**	**-44**
Change in debt	795	-426	191	378	1
Change in equity	0	-2	3	0	0
Dividends	-40	-40	-45	-45	-45
Other	-78	-37	-102	-21	0
Change in cash	213	-6	266	267	195
Cash at beginning of year	351	564	558	825	1,091
Cash at end of year	564	558	825	1,091	1,286
Gross cash flow	**306**	**426**	**370**	**423**	**477**
Free cash flow	**-1,817**	**575**	**280**	**-37**	**289**

Financial ratios

Year-end Dec 31	2022	2023	2024	2025	2026E
Growth (%)					
Sales	-2.0	27.1	1.6	-1.2	2.7
Operating profit	-57.4	67.8	-5.5	61.0	41.1
Net profit	-71.5	244.3	-9.9	56.5	39.6
Adjusted EPS**	-71.5	243.6	-10.0	56.5	39.6
Per-share data (KRW)					
EPS (parent-based)	764	2,626	2,363	3,697	5,160
EPS (consolidated)	762	2,623	2,363	3,697	5,160
Adjusted EPS**	764	2,626	2,363	3,697	5,160
BVPS	43,919	46,876	48,537	51,814	56,450
DPS (common)	600	700	700	700	700
Valuations (x)					
P/E***	13.1	5.6	7.6	5.2	3.7
P/B***	0.2	0.3	0.4	0.4	0.3
EV/EBITDA	7.7	8.3	9.3	7.2	5.0
Ratios (%)					
ROE	1.7	5.9	5.1	7.6	9.9
ROA	0.7	2.4	2.2	3.2	4.2
ROIC	2.0	4.4	4.1	6.7	8.9
Payout ratio	78.5	26.0	28.8	18.3	13.1
Dividend yield (common)	6.0	4.8	3.9	3.6	3.6
Net debt to equity	20.3	38.4	34.0	36.9	27.9
Interest coverage (x)	1.8	4.3	3.3	4.3	5.0

Note: *Excluding one-off items;
**Fully diluted, excluding one-off items;
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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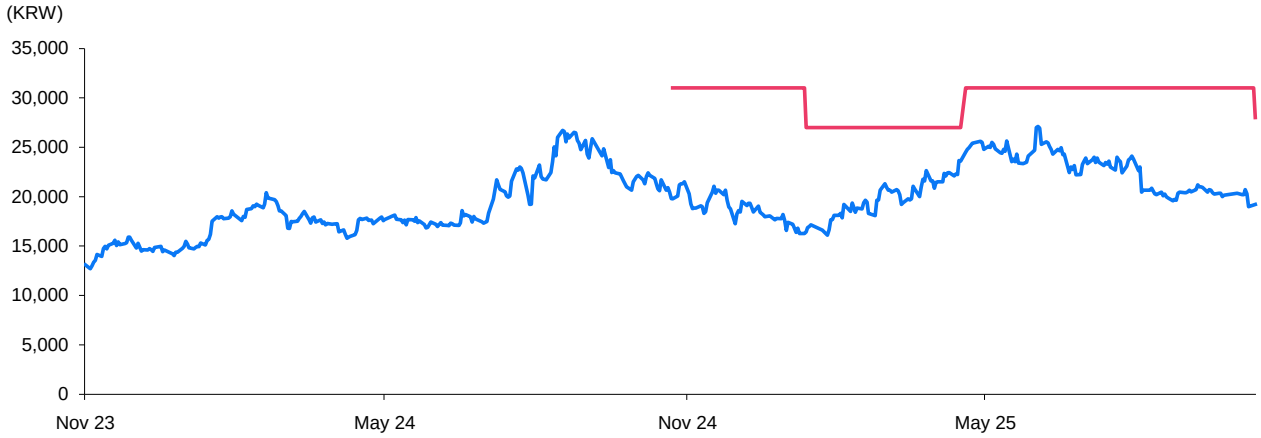
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/11/1	2025/1/21	4/28	10/22
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	31000	27000	31000	28000
Gap* (average)	-39.22	-26.05	-26.82	
(max or min)**	-30.65	-12.41	-12.58	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.06.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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