COMPANY UPDATE

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HL Mando (204320)

3Q review; fundamentals improving

- HL Mando's 3Q operating profit met consensus, despite tariff impact (KRW20b), thanks to sales growth and as its IDB2 plant in Mexico ran at higher utilization. Forex gains (KRW16.4b) offset valuation losses on its equity investment (KRW21.2b).
- North American profitability improvement has been an enterprise-wide earnings driver. Profitability should further improve in 2H, as it will be compensated by clients for some of tariff costs.
- It has entered the robot actuator business. Low-cost EVs produced by a North American BEV maker is likely to be utilized as robotaxis, which should translate into higher sales of HL Mando's smart chassis.

▶ AT A GLANCE

BUY

Target price	KRW55,000	44.2%
Current price	KRW38,150	
Market cap	KRW1.8t/USD1.3b	
Shares (float)	46,957,120 (68.3%)	
52-week high/low	KRW46,650/KRW32,650	
Avg daily trading value (60-day)	KRW6.9b/ USD4.8m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
HL Mando (%)	12.4	1.9	3.4
Vs Kospi (%pts)	-5.5	-38.2	-37.7

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	55,000	55,000	0.0%
2025E EPS	2,758	2,758	0.0%
2026E EPS	5,543	5,543	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	18
Target price	50,000
Recommendation	4.0

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

WHAT'S THE STORY?

3Q review—strong sales and return to profit: HL Mando reported 3Q sales of KRW2.3t (down 3.3% q-q but up 6.9% y-y) and an operating profit of KRW94.2b (down 9.6% q-q but up 14.1% y-y) for a margin of 4.1%.

- **Tariff cost recovery efforts to begin in 4Q:** US tariffs cost the company KRW20b in 3Q (eroding operating margin by 0.8%pts) in 3Q, or KRW30b in the year to September. It aims to recover at least 50% of the cost beginning 4Q. Without the tariff impact, it would have achieved its best ever operating profit of KRW115b for a margin of 4.9% (up 1.1%pts y-y).
- **High sales growth in Korea and North America:** Sales in Korea came to KRW783.9b (down 4.5% q-q but up 13.2% y-y), on increases in production bound for Hyundai Motor Group (HMG) and more working days compared to last year.

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	2,243.8	3.3	-6.5	0.0	-4.4
Operating profit	95.8	16.1	-8.0	-0.0	2.8
Pre-tax profit	65.5	nm	92.1	-0.0	-3.9
Controlling profit	49.2	nm	397.1	-0.0	-19.5
Margins (%)					
Operating profit	4.3				
Pre-tax profit	2.9				
Controlling profit	2.2				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	14.7	13.8	6.9
P/B	0.8	0.7	0.6
EV/EBITDA	5.3	4.8	4.1
Div yield (%)	1.7	2.1	3.1
EPS growth (% y-y)	-4.2	-0.3	101.0
ROE (%)	5.5	5.0	9.5
Per-share data (KRW)			
EPS	2,767	2,758	5,543
BVPS	53,635	55,820	60,564
DPS	700	800	1,200

- **Sales in North America hit KRW631.6b (down 5% q-q but up 17.1% y-y):** A respective 60%, 34% and 6% of its North American sales come from the US, Mexico, and Brazil. Sales to a North American EV maker (representing 29% of North American sales) jumped 56% y-y, on shipments of second-generation Integrated Dynamic Brake (IDB). Sales to Hyundai Motor (HMC)/Kia expanded 13% y-y on the startup of the Hyundai Motor Group Metaplant America and greater xEV production.
- **Sales in China hit KRW503.2b (up 3.6% q-q but down 6.8% y-y):** Sales to a North American EV maker (representing 25% of sales) dropped 11% y-y but rebounded 16% q-q—production started ramping up in 2H. Sales to local Chinese firms (representing 51% of sales) fell 12% y-y.
- **Sales in India hit KRW215.9b (down 4.3% q-q and 3.2% y-y):** While sales to Mahindra rose 94% y-y, sales to HMC/Kia (representing 56% of Indian sales) slumped 19% y-y. HMC's plant in Pune is coming online in 4Q.
- **Sales in Europe hit KRW186.6b (down 8.3% q-q but up 5.6% y-y):** Sales to European automakers expanded 14% y-y, backed by increased sales of suspensions to Volkswagen and greater sales to Renault Turkiye.
- **ADAS sales rise:** Its 3Q ADAS sales stood at KRW234b (down 12.8% q-q but up 3.8% y-y), making up 10.1% of sales. The rise owes to HMC/Kia's new model launches and ADAS shipments to an Indian firm.
- **Non-operating side—forex gains offset valuation losses on equity investments:** Its interest cost declined to KRW20.6b (down KRW2.4b q-q and KRW2.1b y-y). Hybrid securities, which were refinanced with corporate bonds in 2Q, were reissued in 3Q. Falling share price of autonomous driving firm i-Motion (HKD13.98 →HKD8.19) incurred valuation losses of KRW21.2b. Thanks to a weak won, it booked KRW16.4b in forex gains on foreign currency-denominated debt.
- **New orders hit KRW3.3t in 3Q:** Orders the company took over 1Q-3Q meet 75% of its annual target of KRW13.7t (down 22.1% y-y). They include R-EPS orders for a next-generation EV platform from a North American OEM for a ten-year period—its largest single-product order in the region and its first supply of a steering solution. In addition, it has obtained SP-EPS orders for an entry-level EV platform from another North American OEM for an eight-year period, and exclusive suspension supply contracts for HMC/Kia in India.

4Q preview: Its sales growth is likely to continue as its clients steps up production. Its profitability should improve, as it will be compensated by clients for some of tariff costs.

- **4Q results to meet consensus:** We expect HL Mando to post 4Q sales of KRW2.56t (up 10.6% q-q and 6.9% y-y) and an operating profit of KRW116b (up 23.2% q-q and 4.5% y-y), for a margin of 4.5%. FnGuide consensus has sales at KRW2.51t and operating profit at KRW113.1b, for a margin of 4.5%.

Growth momentum lies in robotics and North American capacity expansion

- **Developing actuators for humanoid robots:** HL Mando currently supplies actuators for quadruped robots. It is in the process of establishing R&D and investment plans for humanoid robot actuators, with a detailed roadmap scheduled for release at its first CEO Invest Day on Dec 11.

- **North American capacity expansion:** HL Mando completed the expansion of its Georgia plant last year, and its Mexico plant (supplying IDB2) is prepared to handle a potential rise in production next year. It has already completed significant investments to accommodate planned volume, but is considering further investments should order opportunities exceed expectations. Customer requests for capex expansion remain ongoing.
- **Cost reduction efforts:** Tariff impact is beginning to show, but the company expects to mitigate the impact through production stabilization and operational efficiency improvements. Integration of two European R&D centers into one has saved KRW3b in 3Q and is expected to generate annual savings of about KRW11b. In Korea, integration of two plants and equipment reallocation are underway to cut fixed costs and boost manufacturing efficiency. In Mexico, the company is pursuing vertical integration centered on suspension products. The effects of the initiatives in Korea and Mexico should materialize from 4Q onward.
- **i-Motion:** HL Mando is working to divest from i-Motion in phases. As of end-3Q, share price was just HKD8.19, suggesting that the potential for further losses is now limited.

HL Mando: Result and forecasts

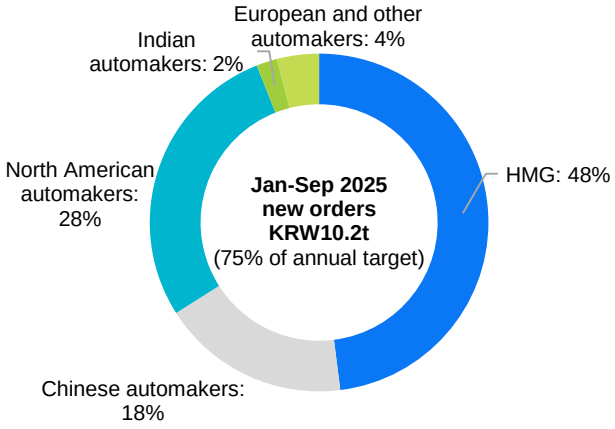
(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (avg)	1,453	1,401	1,387	1,400	1,380	1,380	1,360	1,360	1,365	1,410	1,370	1,330
Sales	2,271	2,401	2,321	2,569	2,474	2,526	2,510	2,562	8,848	9,260	10,071	10,838
Chg (% y-y)	*7.8*	*11.8*	*6.9*	*6.1*	*8.9*	*5.2*	*8.1*	*-0.3*	*5.4*	*4.7*	*8.8*	*7.6*
Gross profit	320	365	315	474	336	361	355	587	1,323	1,473	1,639	1,805
Operating profit	79	104	94	116	104	123	117	123	359	393	466	542
Chg (% y-y)	*4.7*	*16.2*	*14.1*	*4.5*	*31.2*	*18.5*	*23.8*	*5.6*	*28.5*	*9.7*	*18.5*	*16.2*
Operating profit	62	34	66	92	79	97	96	107	265	253	378	473
Net profit	35	10	49	69	59	73	72	80	158	163	284	354
Controlling profit	28	4	44	55	56	69	67	75	130	131	267	333
Margins (%)												
Gross profit	14.1	15.2	13.6	18.5	13.6	14.3	14.1	22.9	15.0	15.9	16.3	16.7
Operating profit	3.5	4.3	4.1	4.5	4.2	4.9	4.6	4.8	4.1	4.2	4.6	5.0
Net profit	1.5	0.4	2.1	2.7	2.4	2.9	2.9	3.1	1.8	1.8	2.8	3.3
Controlling profit	1.2	0.2	1.9	2.1	2.2	2.7	2.7	2.9	1.5	1.4	2.6	3.1

Source: Company data, Samsung Securities estimates

HL Mando: New orders and guidance

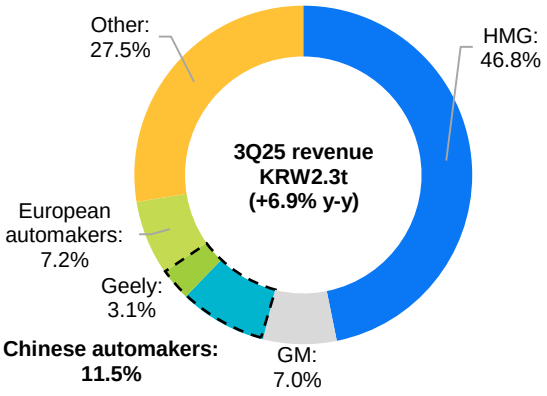
Source: Company data, Samsung Securities

HL Mando: New orders, by client



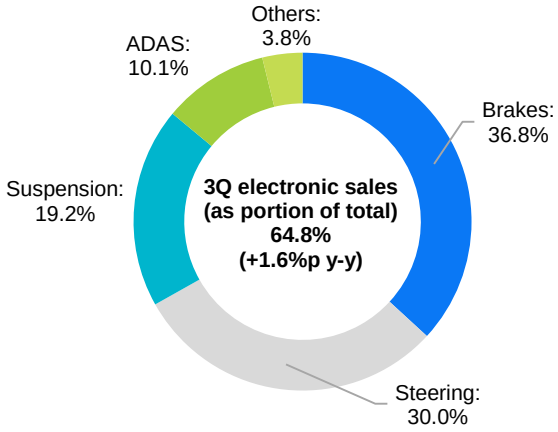
Source: Company data, Samsung Securities

HL Mando: Sales, by client



Source: Company data, Samsung Securities

HL Mando: Sales, by product



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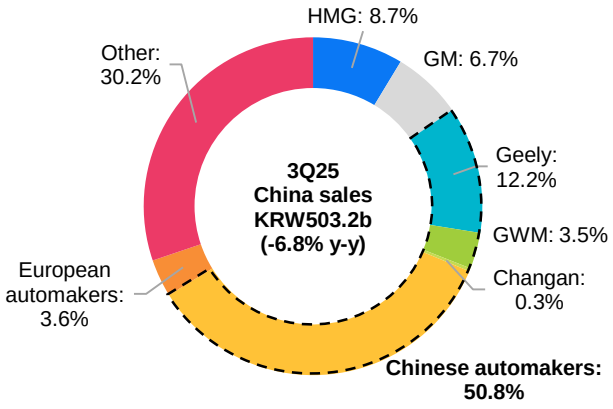
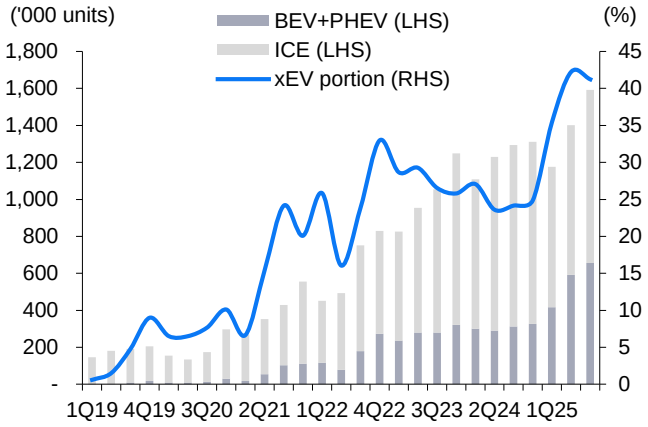
HL Mando China: Sales, by client



Source: Company data, Samsung Securities

China: Auto exports



Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**8,393**	**8,848**	**9,190**	**9,871**	**10,643**
Cost of goods sold	7,263	7,525	7,725	8,259	8,865
Gross profit	**1,130**	**1,323**	**1,464**	**1,612**	**1,778**
Gross margin (%)	13.5	15.0	15.9	16.3	16.7
SG&A expenses	851	964	1,074	1,154	1,245
Operating profit	**279**	**359**	**391**	**457**	**532**
Operating margin (%)	3.3	4.1	4.3	4.6	5.0
Non-operating gains (losses)	**-54**	**-93**	**-140**	**-88**	**-69**
Financial profit	69	56	21	17	28
Financial costs	123	138	104	87	79
Equity-method gains (losses)	-3	-5	3	5	5
Other	3	-6	-61	-23	-23
Pre-tax profit	**226**	**265**	**250**	**369**	**463**
Taxes	71	107	90	92	116
Effective tax rate (%)	31.5	40.4	35.9	25.0	25.0
Profit from continuing operations	155	158	161	277	348
Profit from discontinued operations	0	0	0	0	0
Net profit	**155**	**158**	**161**	**277**	**348**
Net margin (%)	1.8	1.8	1.7	2.8	3.3
Net profit (controlling interests)	136	130	130	260	327
Net profit (non-controlling interests)	19	28	31	17	21
EBITDA	601	694	722	763	795
EBITDA margin (%)	7.2	7.8	7.9	7.7	7.5
EPS (parent-based) (KRW)	2,887	2,767	2,758	5,543	6,958
EPS (consolidated) (KRW)	3,292	3,370	3,419	5,897	7,402
Adjusted EPS (KRW)*	2,887	2,767	2,758	5,543	6,958

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**3,265**	**3,677**	**3,574**	**3,836**	**4,579**
Cash & equivalents	615	536	311	332	801
Accounts receivable	1,579	2,020	2,098	2,253	2,430
Inventories	734	838	871	935	1,008
Other current assets	337	283	294	316	340
Fixed assets	**3,022**	**3,375**	**3,346**	**3,194**	**2,935**
Investment assets	278	235	237	240	244
Tangible assets	2,176	2,410	2,348	2,225	1,990
Intangible assets	197	220	251	219	191
Other long-term assets	371	510	510	510	510
Total assets	**6,287**	**7,052**	**6,920**	**7,030**	**7,514**
Current liabilities	**2,636**	**2,900**	**2,627**	**2,482**	**2,658**
Accounts payable	1,162	1,449	1,505	1,617	1,743
Short-term debt	173	233	233	233	233
Other current liabilities	1,301	1,218	889	633	682
Long-term liabilities	**1,295**	**1,479**	**1,486**	**1,502**	**1,519**
Bonds & long-term debt	1,041	1,176	1,176	1,176	1,176
Other long-term liabilities	254	303	311	326	343
Total liabilities	**3,931**	**4,379**	**4,114**	**3,984**	**4,177**
Owners of parent equity	**2,231**	**2,519**	**2,621**	**2,844**	**3,114**
Capital stock	47	47	47	47	47
Capital surplus	603	603	603	603	603
Retained earnings	1,153	1,237	1,334	1,556	1,827
Other	428	631	637	637	637
Non-controlling interests' equity	**125**	**154**	**185**	**202**	**223**
Total equity	**2,356**	**2,673**	**2,806**	**3,046**	**3,337**
Net debt	1,486	1,585	1,456	1,132	659

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**429**	**435**	**455**	**510**	**529**
Net profit	155	158	161	277	348
Non-cash profit and expenses	453	532	500	462	424
Depreciation	290	302	292	273	235
Amortization	32	33	39	33	28
Other	132	197	169	157	161
Changes in A/L from operating activities	-96	-163	-34	-68	-77
Cash flow from investments	**-322**	**-397**	**-303**	**-156**	**-7**
Change in tangible assets	-333	-307	-230	-150	0
Change in financial assets	-28	12	-3	-6	-7
Other	38	-103	-70	-0	0
Cash flow from financing	**18**	**-177**	**-384**	**-338**	**-56**
Change in debt	90	10	-351	-300	0
Change in equity	0	0	0	0	0
Dividends	-42	-51	-33	-38	-56
Other	-29	-136	0	0	0
Change in cash	123	-79	-224	20	469
Cash at beginning of year	492	615	536	311	332
Cash at end of year	615	536	311	332	801
Gross cash flow	**608**	**690**	**661**	**739**	**772**
Free cash flow	**92**	**125**	**225**	**360**	**529**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	11.7	5.4	3.9	7.4	7.8
Operating profit	12.6	28.5	8.9	17.0	16.5
Net profit	30.7	2.4	1.4	72.5	25.5
Adjusted EPS**	37.9	-4.2	-0.3	101.0	25.5
Per-share data (KRW)					
EPS (parent-based)	2,887	2,767	2,758	5,543	6,958
EPS (consolidated)	3,292	3,370	3,419	5,897	7,402
Adjusted EPS**	2,887	2,767	2,758	5,543	6,958
BVPS	47,505	53,635	55,820	60,564	66,322
DPS (common)	600	700	800	1,200	1,400
Valuations (x)					
P/E***	13.6	14.7	13.8	6.9	5.5
P/B***	0.8	0.8	0.7	0.6	0.6
EV/EBITDA	5.8	5.3	4.8	4.1	3.4
Ratios (%)					
ROE	6.2	5.5	5.0	9.5	11.0
ROA	2.5	2.4	2.3	4.0	4.8
ROIC	5.4	5.7	6.2	8.6	10.3
Payout ratio	20.8	25.3	29.0	21.6	20.1
Dividend yield (common)	1.5	1.7	2.1	3.1	3.7
Net debt to equity	63.1	59.3	51.9	37.2	19.7
Interest coverage (x)	2.9	3.2	3.8	5.3	6.7

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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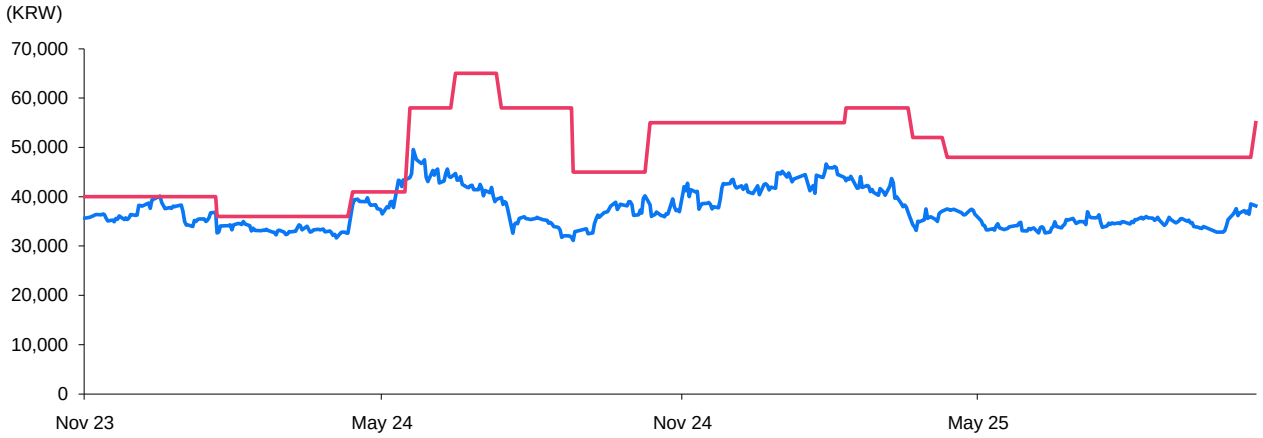
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/30	2024/2/6	4/29	6/3	7/1	7/29	9/11	10/28	2025/2/25	4/7	4/28	11/3
Recommendation	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	40000	36000	41000	58000	65000	58000	45000	55000	58000	52000	48000	55000
Gap* (average)	-10.05	-7.58	-3.55	-21.93	-35.91	-39.90	-18.57	-24.91	-29.05	-31.59	-27.26	-100.00
(max or min)**	0.25	-2.92	5.85	-14.48	-32.15	-32.76	-10.67	-15.18	-23.88	-27.88	-19.69	

Date	11/4
Recommendation	BUY
Target price (KRW)	48000
Gap* (average)	
(max or min)**	

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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BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

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 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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