COMPANY UPDATE

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PI Advanced Materials (178920)

Clients pare stock but 2025 growth outlook firm

- PI Advanced Materials reported consensus-missing 3Q results.
- Its profitability should improve y-y in 2025, despite year-end inventory adjustment at clients, due to expansion of the high value-added product portion of total sales.
- We fine-tune our target price for the stock to KRW24,000 and maintain our BUY rating.

EV/Mobility Team

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AT A GLANCE

BUY

Target price	KRW24,000	37.4%
Current price	**KRW17,470**	
Market cap	KRW513.03b/USD353.96m	
Shares (float)	29,366,322 (45.7%)	
52-week high/low	KRW21,900/KRW14,250	
Avg daily trading value (60-day)	KRW2.0b/ USD1.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
PI Advanced Materials (%)	5.6	9.1	-6.4
Vs Kospi (%pts)	-6.4	-30.2	-39.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	24,000	25,000	-4.0%
2025E EPS	1,012	1,096	-7.7%
2026E EPS	1,431	1,480	-3.3%

SAMSUNG vs THE STREET

No of estimates	4
Target price	24,875
Recommendation	3.8

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

WHAT'S THE STORY?

3Q review—Results miss consensus: PI Advanced Materials reported 3Q sales of KRW68.4b and an operating profit of KRW11.6b, missing FnGuide consensus of KRW70.4b and KRW12.8b. Due to a surge in shipments in 1H (aimed at beating Trump's tariffs), the company adjusted its utilization rate downwardly to keep inventory at optimal level. With its utilization rate down from 69% in 2Q to 61%, its fixed cost burden rose q-q, resulting in profitability falling q-q.

To keep expanding the high value-added product portion of total sales in 2026: We cut our 4Q sales and operating profit forecasts for the company to KRW57.3b and KRW5.2b, respectively, in light of uncertainty over macro (eg, tariff policy), concerns over global EV demand decline, and the possibility of inventory adjustment at clients at year-end. We, however, put the company's 2025 sales and operating profit at KRW262.3b and KRW41.8b (up 20% y-y), respectively. As for 2026, we expect ultrathin PI film sales to remain stable amid trend toward smartphones offering high performances and heat-resistance sheet-use PI films (for foldable phones) to boost overall ASP. We expect its 2026 sales and operating profit to come in at KRW306.5b (up 17% y-y) and KRW57.2b (up 37% y-y), respectively.

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	68.4	-3.2	-5.6	-14.9	-2.8
Operating profit	11.6	-8.6	-27.0	-24.0	-9.3
Pre-tax profit	10.8	13.4	-26.5	-29.2	n/a
Net profit	8.4	21.3	-27.0	-22.2	-3.1
Margins (%)					
Operating profit	17.0				
Pre-tax profit	15.8				
Net profit	12.3				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuations (x)			
P/E	21.2	17.3	12.2
P/B	1.5	1.4	1.3
EV/EBITDA	8.2	7.5	5.8
Div yield (%)	2.1	2.0	2.0
EPS growth (% y-y)	nm	27.1	41.4
ROE (%)	7.2	8.5	11.3
Per-share data (KRW)			
EPS	796	1,012	1,431
BVPS	11,507	12,169	13,250
DPS	350	350	350

Cutting target price slightly; maintaining BUY: We fine-tune our target price for the stock to KRW24,000, as its peers' average P/E fell by 5% from 15.3x to 14.5x. We maintain our BUY rating, as: 1) it is trading at 13x 2026 P/E (vs 18x for Dow Dupont and 17x for Toray; Bloomberg); and 2) it--backed by its world's biggest PI film capacity--should enjoy a margin hike and an annual earnings growth on steady shipments of high value-added products to its key clients.

3Q review

(KRWb)	3Q25P	3Q24	2Q25	Chg	
				(% y-y)	(% q-q)
Sales	68.4	70.7	72.5	-3.2	-5.6
Operating profit	11.6	12.7	15.9	-8.5	-27.0
Pre-tax profit	10.8	9.5	14.7	13.8	-26.3
Net profit	8.4	6.9	11.5	21.7	-26.7
Margins (%)					
Operating profit	17.0	18.0	21.9		
Pre-tax profit	15.8	13.5	20.3		
Net profit	12.3	9.8	15.9		

Source: Company data

Revisions to full-year forecasts

(KRWb)	2025E			2026E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	271.3	262.3	-3.3	316.5	306.5	-3.1
Operating profit	45.1	41.8	-7.2	59.0	57.2	-3.1
Pre-tax profit	42.9	39.6	-7.6	57.9	56.0	-3.3
Net profit	32.2	29.7	-7.6	43.5	42.0	-3.3

Source: Samsung Securities estimates

Target-price calculation

(KRW)		Note
EPS	1,326	2025E-2026E weighted average
Target P/E (x)	18.8	30% premium (leading global capacity; new applications) to average of global PI film firms
Fair value	24,936	
Target price (KRW)	24,000	
Current price (KRW)	18,560	As of Nov 4
Upside (%)	29.3%	

Source: Samsung Securities estimates

Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25P	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E
Sales	51.8	73.7	70.6	55.1	64.1	72.5	68.4	57.3	79.8	85.5	78.9	62.3	251.2	262.3	306.5
FPCB	26.4	33.4	28.5	26.8	31.8	29.5	28.7	28.1	35.0	33.9	34.4	31.0	115.1	118.1	134.3
Heat-resistance sheet	9.3	22.5	26.6	14.6	17.9	26.8	24.1	14.7	26.9	32.2	26.5	16.2	73.0	83.5	101.7
General industry	16.1	17.7	15.5	13.7	14.4	16.2	15.6	14.4	18.0	19.4	17.9	15.1	63.0	60.6	70.5
Operating income	2.5	17.7	12.1	2.7	8.9	16.2	11.6	5.2	12.0	18.8	15.8	10.6	34.9	41.8	57.2
Operating margin (%)	4.8	24.0	17.1	4.9	13.9	22.3	17.0	9.0	15.0	22.0	20.0	17.0	13.9	16.0	18.6

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**218**	**251**	**262**	**307**	**349**
Cost of goods sold	192	187	190	215	241
Gross profit	**25**	**64**	**72**	**92**	**108**
Gross margin (%)	11.6	25.5	27.4	29.9	31.0
SG&A expenses	29	29	30	34	39
Operating profit	**-4**	**35**	**42**	**57**	**69**
Operating margin (%)	-1.8	13.9	16.0	18.6	19.9
Non-operating gains (losses)	**-3**	**-5**	**-2**	**-1**	**0**
Financial profit	1	2	2	3	4
Financial costs	4	7	4	4	4
Equity-method gains (losses)	0	0	0	0	0
Other	-0	-0	-0	-0	0
Pre-tax profit	**-7**	**30**	**40**	**56**	**70**
Taxes	-5	7	10	14	17
Effective tax rate (%)	73.0	22.4	25.0	25.0	24.1
Profit from continuing operations	-2	23	30	42	53
Profit from discontinued operations	0	0	0	0	0
Net profit	**-2**	**23**	**30**	**42**	**53**
Net margin (%)	-0.8	9.3	11.3	13.7	15.1
Net profit (controlling interests)	-2	23	30	42	53
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	25	67	72	85	95
EBITDA margin (%)	11.6	26.8	27.4	27.7	27.2
EPS (parent-based) (KRW)	-61	796	1,012	1,431	1,799
EPS (consolidated) (KRW)	-61	796	1,012	1,431	1,799
Adjusted EPS (KRW)*	-61	796	1,012	1,431	1,799

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**128**	**160**	**187**	**250**	**322**
Cash & equivalents	56	83	96	144	201
Accounts receivable	32	36	41	48	55
Inventories	39	39	48	56	64
Other current assets	1	2	2	3	3
Fixed assets	**390**	**368**	**343**	**320**	**300**
Investment assets	1	1	1	1	2
Tangible assets	367	345	322	301	282
Intangible assets	13	11	9	7	6
Other long-term assets	10	11	11	11	11
Total assets	**518**	**528**	**530**	**571**	**622**
Current liabilities	**88**	**75**	**57**	**63**	**68**
Accounts payable	10	9	10	11	13
Short-term debt	53	24	24	24	24
Other current liabilities	24	41	23	27	31
Long-term liabilities	**115**	**115**	**115**	**119**	**122**
Bonds & long-term debt	100	96	96	96	96
Other long-term liabilities	15	19	19	23	26
Total liabilities	**203**	**190**	**173**	**182**	**190**
Owners of parent equity	**315**	**338**	**357**	**389**	**432**
Capital stock	15	15	15	15	15
Capital surplus	188	188	188	188	188
Retained earnings	191	214	233	265	307
Other	-78	-78	-78	-78	-78
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**315**	**338**	**357**	**389**	**432**
Net debt	101	59	26	-21	-77

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**60**	**55**	**48**	**63**	**72**
Net profit	-2	23	30	42	53
Non-cash profit and expenses	32	45	42	43	42
Depreciation	27	30	28	26	24
Amortization	2	2	2	2	1
Other	2	12	12	15	17
Changes in A/L from operating activities	36	-9	-12	-7	-7
Cash flow from investments	**-52**	**-13**	**-5**	**-5**	**-5**
Change in tangible assets	-52	-13	-5	-5	-5
Change in financial assets	-0	-1	-0	-0	-0
Other	-0	0	-0	0	0
Cash flow from financing	**32**	**-16**	**-29**	**-10**	**-10**
Change in debt	56	-15	-19	0	0
Change in equity	0	0	0	0	0
Dividends	-23	0	-10	-10	-10
Other	-1	-1	0	0	0
Change in cash	40	26	14	48	57
Cash at beginning of year	16	56	83	96	144
Cash at end of year	56	83	96	144	201
Gross cash flow	**30**	**68**	**72**	**85**	**95**
Free cash flow	**8**	**42**	**43**	**58**	**67**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-21.3	15.5	4.4	16.9	14.0
Operating profit	nm	nm	19.8	36.6	21.5
Net profit	nm	nm	27.1	41.4	25.7
Adjusted EPS**	nm	nm	27.1	41.4	25.7
Per-share data (KRW)					
EPS (parent-based)	-61	796	1,012	1,431	1,799
EPS (consolidated)	-61	796	1,012	1,431	1,799
Adjusted EPS**	-61	796	1,012	1,431	1,799
BVPS	10,724	11,507	12,169	13,250	14,699
DPS (common)	0	350	350	350	350
Valuations (x)					
P/E***	n/a	21.2	17.3	12.2	9.7
P/B***	2.8	1.5	1.4	1.3	1.2
EV/EBITDA	39.3	8.2	7.5	5.8	4.6
Ratios (%)					
ROE	-0.5	7.2	8.5	11.3	12.9
ROA	-0.4	4.5	5.6	7.6	8.9
ROIC	-0.2	6.4	7.7	10.8	13.7
Payout ratio	0.0	44.0	34.6	24.5	19.5
Dividend yield (common)	0.0	2.1	2.0	2.0	2.0
Net debt to equity	31.9	17.4	7.4	-5.4	-17.9
Interest coverage (x)	-1.1	6.9	9.3	13.7	16.6

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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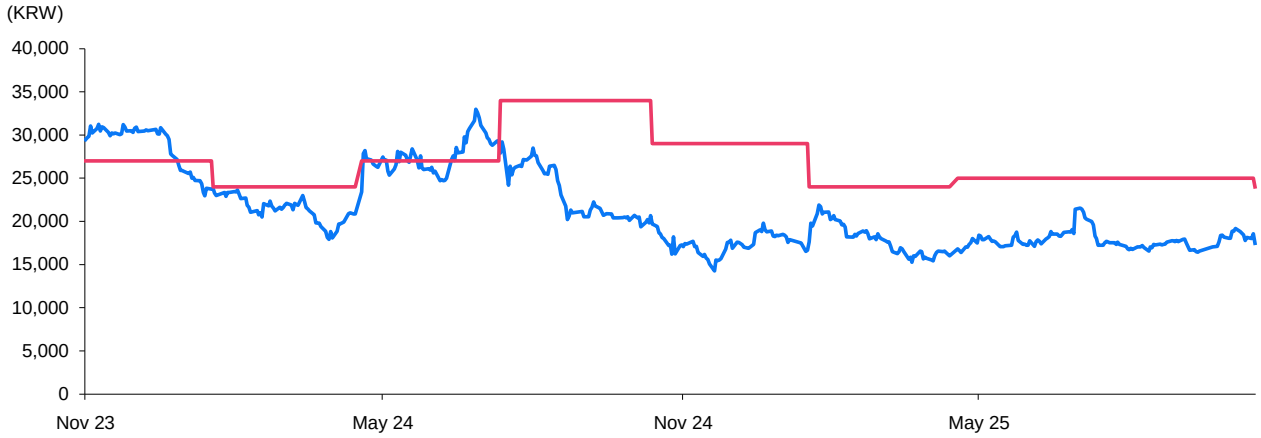
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/1	2024/2/6	5/7	7/31	11/1	2025/2/5	5/7	11/5
Recommendation	HOLD	HOLD	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	27000	24000	27000	34000	29000	24000	25000	24000
Gap* (average)	5.93	-11.09	2.64	-31.83	-40.06	-25.24	-28.50	
(max or min)**	15.74	-1.46	22.22	-14.12	-31.72	-8.75	-13.80	

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

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* 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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