SECTOR UPDATE

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Industrial Team

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▶ AT A GLANCE

HD KSOE (009540 KS, 479,500)		
Target price	KRW620,000	29.3%
BUY		
HD Hyundai Heavy Industries (329180 KS, 607,000)		
Target price	KRW890,000	46.6%
BUY		
HD HYUNDAI MIPO (010620 KS, 240,000)		
Target price	KRW360,000	50.0%
BUY		

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Shipbuilding (OVERWEIGHT)

HD Hyundai Group-affiliated shipbuilders' 3Q results reaffirm their industry-leading position

- HD Hyundai Group-affiliated shipbuilders posted stronger-than-expected operating income in 3Q thanks to their improving fundamentals (*eg*, rising sales recognition of high-priced orders; better productivity) and not one-offs.
- HD Hyundai Mipo's profitability improvement has eased concerns that the entity to be created by the HD Hyundai Mipo-HD Hyundai Heavy Industries (HHI) merger might suffer weaker margins. Margins at HD Hyundai Group-affiliated shipbuilders remain higher than those at their rivals.
- We raise our 12-month target prices for HD Hyundai Group-affiliated shipbuilders to reflect our upward earnings revisions and the rising valuation of the shipbuilding sector.

WHAT'S THE STORY?

3Q review: HD Korea Shipbuilding & Offshore Engineering's (KSOE) consolidated operating profit (which includes that from HD Hyundai Heavy Industries (HHI), HD Hyundai Mipo, and HD Hyundai Samho) grew 10.5% q-q, beating consensus by 14%. The operating profit included one-off gains (KRW15.8b in settlement gains at the defense business; KRW53b in reverse provisioning relating to a canceled project at HD Hyundai Mipo), which gains were mostly canceled out by one-off costs (HD HHI-HD Hyundai Mipo merger incentives of KRW25.8b combined; KRW25b in additional costs for offshore projects; KRW8.5b in fire-related restoration costs at HD Hyundai Samho). In other words, one-off factors had little impact—the group's 3Q results were powered by improvements in its fundamentals (*ie*, rising sales recognition of high-priced orders; improving productivity, which led to faster-than-expected sales growth).

By unit, the offshore business suffered due to one-off costs, but this was offset by robust performances by the shipbuilding and engine divisions. By company, HD Hyundai Samho posted sluggish earnings due to the high base (1H25) and impacts of a fire, while HD Hyundai Mipo recorded a positive earnings surprise.

(Continued on the next page)

Two positive implications of 3Q operating margins: First, HD Hyundai Mipo recorded sharp profitability improvements. The firm booked a double-digit operating margin in 3Q (even when excluding one-off gains), higher than the figures logged by its larger rivals. Some investors had been worried that the entity that will be created as a result of the HD Hyundai Mipo-HD HHI merger could suffer margin deterioration since profitability at HD Hyundai Mipo had been much lower than that at HD HHI (in the past, some investors cited HD HHI's higher margin (vs its rivals') as one of the reasons behind its premium). HD Hyundai Mipo's quicker-than-expected profitability improvement should dissipate such concerns, positively impacting investment sentiment. Second, despite the recent improvement in their rivals' profitability, margins at HD Hyundai Group-affiliated shipbuilders remain higher, proving their superior cost structure.

Raising target prices: We raise our 12-month target prices for three HD Hyundai Group-affiliated shipbuilders to reflect our upward earnings revisions (following their robust 3Q results), and further to reflect rises in the valuation of the industrial goods sector (including the shipbuilding sector). Despite their extended share-price rallies, we believe HD Hyundai Group-affiliated shipbuilders are more attractive than their rivals in terms of valuation now that we raise our earnings forecasts for them. We still like HD Hyundai Group-affiliated shipbuilders the most among Korean shipbuilders.

3Q results reaffirm their industry-leading position

HD Hyundai Group-affiliated shipbuilders' earnings driven by improving fundamentals

HD Korea Shipbuilding & Offshore Engineering's (KSOE) consolidated operating profit (which includes that from HD Hyundai Heavy Industries (HHI), HD Hyundai Mipo, and HD Hyundai Samho) grew 10.5% q-q, beating consensus by 14%. The operating profit included one-off gains (KRW15.8b in settlement gains at the defense business; KRW53b in reverse provisioning relating to a canceled project at HD Hyundai Mipo), which gains were mostly canceled out by one-off costs (HD HHI-HD Hyundai Mipo merger incentives of KRW25.8b combined; KRW25b in additional costs for offshore projects; KRW8.5b in fire-related restoration costs at HD Hyundai Samho). In sum, one-off factors had little impact—the group's 3Q results were powered by improvements in its fundamentals (*ie*, rising sales recognition of high-priced orders; improving productivity, which spurred sales growth).

Typically, HD Group's 3Q sales tend to decline q-q due to the long summer vacation. However, in 3Q25, sales at HD HHI and HD Hyundai Mipo grew q-q. HD Hyundai Samho saw its 3Q sales shrink about 7% q-q, a negligible figure considering the fire in 3Q. The stronger-than-expected sales are the biggest reason behind their 3Q margins beating consensus. By business, the shipbuilding and engine divisions posted stellar earnings (their margins improved q-q), offsetting the offshore business's sluggish figures. In particular, the engine business's operating margin topped 20% for the first time in nine quarters.

HD KSOE: 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	7,582	7,428	2.1	6,246	21.4	7,070	7.2	7,024	7.9
Operating profit	1,054	954	10.5	398	164.5	926	13.8	873	20.7
Pre-tax profit	1,139	546	108.7	217	425.2	980	16.3	835	36.5
Net profit*	633	356	77.7	151	319.3	649	-2.4	534	18.5
Margins (%)									
Operating profit	13.9	12.8		6.4		13.1		12.4	
Pre-tax profit	15.0	7.3		3.5		13.9		11.9	
Net profit*	8.4	4.8		2.4		9.2		7.6	

Note: *Controlling
Source: Company data, FnGuide, Samsung Securities estimates

HD KSOE: Sales, by division

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)
Sales					
Shipbuilding	6,199	6,255	-0.9	5,323	16.5
Offshore/Plant	280	248	13.1	184	52.8
Engine & Machinery	1,193	1,155	3.3	865	37.9
Operating profit					
Shipbuilding	866	806	7.5	378	128.9
Offshore/Plant	-2	38	nm	2	nm
Engine & Machinery	243	201	20.9	102	137.5
OPM (%)					
Shipbuilding	14.0	12.9		7.1	
Offshore/Plant	-0.9	15.1		1.2	
Engine & Machinery	20.4	17.4		11.8	

Note: The figures for the engine & machinery unit excludes consolidation adjustments
Source: Company data

HD Group shipbuilders: OPM excluding one-off items

(KRWb)		HD HHI	HD Samho	HD Mipo	HD KSOE
Operating profit	(A)	557	306	201	1,054
Collective wage negotiation /merger incentives	(B)	-18.6		-7.2	-25.8
Frigate settlement profit	(C)	15.8			15.8
Additional construction costs	(D)	-25.0			-25.0
Project cancellation refunds	(E)			53.0	53.0
Fire accident recovery costs	(F)		-8.5		-8.5
One-time removal	(G=A~F)	585	315	155	1,044
One-time removal OPM (%)		13.2	16.0	11.9	13.8

Source: Company data, Samsung Securities

HD Hyundai Mipo's robust results to ease concerns over merged entity's margins

By company, HD Hyundai Mipo's performance was the most impressive. HD Hyundai Mipo's operating profit grew 125% q-q, beating consensus by 92%. Excluding reverse provisioning (a one-off), the firm's operating profit figure would have topped consensus by more than 49%. The pace of the earnings improvement was faster than the market expected, which we attribute to its ceasing to recognize sales of low-priced orders. Excluding one-off factors, HD Hyundai Mipo's 3Q operating margin would have reached 11.9%, still better than the figures recorded by its larger rivals.

Such improvements in HD Hyundai Mipo's performance ahead of its merger with HD HHI should: 1) result in upward earnings revisions for the merged entity; and 2) positively impact investment sentiment towards the merger. Some investors had been worried that the new entity may suffer from margin deterioration, since profitability at HD Hyundai Mipo had been significantly lower than that at HD HHI. Although the merger should expand the merged entity's earnings in absolute terms, it should not change its fundamentals. Nonetheless, in the past some investors cited HD HHI's higher margins (vs its rivals') as one of the reasons behind its premium. All in all, we believe HD Hyundai Mipo's faster-than-expected profitability improvement will dissipate such concerns.

Still boasts highest margins in sector

Margins at HD Hyundai Group-affiliated shipbuilders in 3Q remained higher than those of their industry rivals, though these rivals have seen their profitability improve on a steady increase in sales of high-priced orders. However, HD Hyundai Group-affiliated shipbuilders continue to record superior profitability—the three affiliates all booked higher margins in 3Q. This supports our view that HD Hyundai Group-affiliated shipbuilders have better cost structures (vs their rivals), which we attribute to their in-house manufacturing of core equipment (*eg*, engines) and co-purchases of raw materials. In terms of valuation burden, they are also in a better position in light of their healthy 3Q results (and subsequent hike in earnings estimates). Reflecting our new earnings forecasts and the rising valuations of the shipbuilding sector, we raise our target prices for HD Hyundai Group-affiliated shipbuilders. We continue to prefer HD Hyundai Group-affiliated shipbuilders in the Korean shipbuilding sector.

HD Hyundai Group shipbuilders: Target-price changes

(KRW)	HD KSOE	HD HHI	HD Mipo
New	620,000	890,000	360,000
Old	520,000	630,000	256,000
Change (%)	19.2	41.3	40.6

Source: Samsung Securities estimates

3Q summary and target price revisions, by company

HD HHI (BUY, TP: KRW890,000)

HD HHI's 3Q operating profit beat consensus by 16%, though one-off gains at the defense business (KRW15.8b) were eclipsed by larger one-off costs at the offshore business (merger incentives of KRW18.6b and additional costs of KRW25b). The firm's operating margin improved q-q despite these one-off costs and rising steel-plate prices. Excluding the one-off costs, we believe the firm's 3Q operating profit would have risen 24% q-q, beating consensus by 21%. We attribute the improving earnings to robust sales growth (following productivity improvements), rising profitability at the engine business, and the increasing sales recognition of high-priced orders (taken over 2023-2024)—all of these factors are structural, not temporary.

Reflecting the robust 3Q results, we raise our 2026 operating profit forecast for HD HHI by 9%. Moreover, in light of our upward earnings revisions for HD Hyundai Mipo and the rising valuations of the shipbuilding sector and the domestic industrial sector, we raise our 12-month target price for HD HHI to KRW890,000, which is based on: 1) a 2026 P/E multiple of 35x (the average at which the KRX Machinery & Equipment index is trading, and the same multiple as our target for its rivals); and 2) our 2026 estimates for HD HHI and HD Hyundai Mipo's combined net profit attributable to controlling shareholders. Our upward earnings revisions make HD HHI's valuation more attractive vs its rivals'. Despite the sustained share-price rally, we still see further upside ahead.

HD HHI: 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	4,418	4,147	6.5	3,609	22.4	4,013	10.1	3,990	10.7
Operating profit	557	472	18.2	206	170.4	483	15.5	451	23.4
Pre-tax profit	571	280	103.7	87	555.3	469	21.7	470	21.4
Net profit*	431	211	104.3	72	496.7	336	28.2	362	19.0
Margins (%)									
Operating profit	12.6	11.4		5.7		12.0		11.3	
Pre-tax profit	12.9	6.8		2.4		11.7		11.8	
Net profit*	9.8	5.1		2.0		8.4		9.1	

Note: *Controlling

Source: Company data, FnGuide, Samsung Securities estimates

HD HHI: Sales, by division

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)
Sales					
Shipbuilding	3,055	2,850	7.2	2,605	17.3
Offshore	281	246	14.1	176	60.0
Engine	1,060	1,029	3.1	810	30.9
Operating profit					
Shipbuilding	397	337	17.7	165	141.3
Offshore	1	37	-98.6	0	25.0
Engine	220	184	19.7	99	122.6
OPM (%)					
Shipbuilding	13.0	11.8		6.3	
Offshore	0.2	15.0		0.2	
Engine	20.8	17.9		12.2	

Source: Company data

HD HHI, HD Mipo: Target prices

Note		
2026E net profit*	(A)	2,680
Applied P/E**	(B, x)	35.0
Appropriate value	(C = A x B)	93,802
Applicable shares	(D, '000)	104,963
HD HHI's target price	(E=C/D, KRW)	890,000
Changes	(%)	41.3
Merger ratio	(F)	0.4059146
HD Mipo's target price	(G=ExF, KRW)	360,000
Changes	(%)	40.6

Note: *Summing 2026 net profit estimates of HD HHI and HD Mipo
**Average multiple of KRX Machinery & Equipment Index
Source: Samsung Securities estimates, FnGuide

HD Hyundai Mipo (BUY, TP: KRW360,000)

HD Hyundai Mipo's 3Q operating profit beat consensus by 92%. The firm recognized one-off gains relating to the RO-PAX order cancellation (*eg*, compensation and reverse provisioning). However, even without these one-off gains, the firm's 3Q operating profit would have beaten consensus by more than 49%. We believe the firm recorded faster-than-expected earnings growth (as it has ceased booking sales of low-priced orders) and quicker-than-projected productivity improvements. The firm also recorded a double-digit operating margin, narrowing its margin gap with that at its larger peers. Reflecting the robust 3Q results, we raise our 2026 earnings estimate for the shipbuilder and revise up our target price to KRW360,000 by applying the merger ratio to our target price for HD HHI.

HD Mipo: 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	1,300	1,235	5.3	1,078	20.7	1,187	9.5	1,106	17.6
Operating profit	201	89	124.6	35	470.5	104	92.4	87	129.9
Pre-tax profit	231	28	727.2	3	8,142.9	118	95.6	104	121.4
Net profit*	181	22	709.4	0	90,150.0	91	98.7	78	130.3
Margins (%)									
Operating profit	15.4	7.2		3.3		8.8		7.9	
Pre-tax profit	17.7	2.3		0.3		9.9		9.4	
Net profit*	13.9	1.8		0.0		7.7		7.1	

Note: *Controlling
Source: Company data, FnGuide, Samsung Securities estimates

HD KSOE (BUY, TP: KRW620,000)

HD KSOE's consolidated operating profit topped consensus by 14% thanks to stronger-than-expected earnings at HD HHI and HD Hyundai Mipo. The firm's unlisted subsidiary HD Hyundai Samho's 3Q operating profit fell 18% q-q due to a fire in July—it recognized KRW8.5b in fire restoration costs. In addition, HD Hyundai Samho's 1H earnings were boosted by a rising gas carrier portion of its sales (high-margin sales), providing a high base. On top of this, an increasing oil tanker portion of its sales in 3Q25 also hurt HD Hyundai Samho's profitability. Still, all of these negatives had been expected by the market. HD KSOE's operating margin remains the highest among Korea's listed shipbuilders.

We raise our 12-month target price for HD KSOE to KRW620,000, to reflect the facts that: 1) the share prices of its listed subsidiaries have risen since we last changed our target price; 2) dividend income from its subsidiaries has boosted net cash at the parent; and 3) the rising valuation of the shipbuilding sector should pave the way for a re-rating in our valuation of HD Hyundai Samho. We also believe anticipation of stronger shareholder returns remains valid, given that the parent (a direct subsidiary of the group's holding company) is sitting on huge amounts of cash, and further that its subsidiaries are enjoying earnings improvement.

HD Samho: 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)
Sales	1,967	2,119	-7.2	1,644	19.7
Operating profit	306	372	-17.6	178	72.5
Pre-tax profit	336	265	26.9	119	182.8
Net profit*	256	196	31.0	98	162.4
Margins (%)					
Operating profit	15.6	17.5		10.8	
Pre-tax profit	17.1	12.5		7.2	
Net profit*	13.0	9.2		5.9	

Source: Company data

HD KSOE: SOTP valuation

(KRWb)		
Listed companies' value	A=(b+c+d+e+f)x60%	27,323
HD Hyundai Heavy Industries	(b)	39,696
HD Hyundai Mipo	(c)	4,065
HD Hyundai Energy Solution	(d)	437
HD Hyundai Marine Engine	(e)	1,172
HD Hyundai HYMS	(f)	167
Unlisted companies' value	G=(h+i+j)x 50%	14,193
HD Hyundai Samho **	(h)	28,180
Affiliates/joints	(i)	207
Net cash (parent)	J	2,112
EV	K=A+G+J	43,628
Shares (float)	L, '000	70,715
Target price (KRW)	M=(K/L), KRW	620,000

Note: *As of Nov 3, ** Applying peer shipbuilders' avg P/E of 26x to 2026E net profit
Source: FnGuide, Samsung Securities estimates

HD KSOE: Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**21,296**	**25,539**	**30,040**	**33,756**	**37,672**
Cost of goods sold	20,248	22,943	24,827	27,145	29,482
Gross profit	**1,048**	**2,595**	**5,213**	**6,612**	**8,190**
Gross margin (%)	4.9	10.2	17.4	19.6	21.7
SG&A expenses	766	1,161	1,192	1,339	1,493
Operating profit	**282**	**1,434**	**4,021**	**5,273**	**6,697**
Operating margin (%)	1.3	5.6	13.4	15.6	17.8
Non-operating gains (losses)	**-290**	**389**	**-386**	**259**	**379**
Financial profit	1,229	1,877	1,690	1,138	915
Financial costs	2,095	5,179	2,581	1,074	450
Equity-method gains (losses)	0	-0	-0	-0	-0
Other	576	3,690	505	196	-86
Pre-tax profit	**-8**	**1,823**	**3,635**	**5,532**	**7,076**
Taxes	-153	368	800	1,383	1,769
Effective tax rate (%)	1,901.3	20.2	22.0	25.0	25.0
Profit from continuing operations	145	1,455	2,835	4,149	5,307
Profit from discontinued operations	0	0	0	0	0
Net profit	**145**	**1,455**	**2,835**	**4,149**	**5,307**
Net margin (%)	0.7	5.7	9.4	12.3	14.1
Net profit (controlling interests)	222	1,172	2,268	3,278	4,192
Net profit (non-controlling interests)	-77	282	567	871	1,114
EBITDA	754	1,960	4,030	5,823	7,203
EBITDA margin (%)	3.5	7.7	13.4	17.2	19.1
EPS (parent-based) (KRW)	3,133	16,565	32,048	46,315	59,238
EPS (consolidated) (KRW)	2,048	20,553	40,060	58,626	74,984
Adjusted EPS (KRW)*	3,133	16,565	32,048	46,315	59,238

HD KSOE: Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**17,735**	**20,431**	**25,633**	**32,214**	**39,400**
Cash & equivalents	3,018	3,717	7,036	11,749	17,291
Accounts receivable	1,049	1,264	1,481	1,665	1,858
Inventories	2,006	2,232	2,626	3,237	3,612
Other current assets	11,662	13,218	14,490	15,564	16,638
Fixed assets	**14,507**	**16,288**	**16,644**	**16,968**	**17,241**
Investment assets	976	2,173	2,173	2,173	2,173
Tangible assets	10,504	11,111	11,452	11,763	12,025
Intangible assets	191	375	390	403	415
Other long-term assets	2,838	2,629	2,629	2,629	2,629
Total assets	**32,243**	**36,719**	**42,276**	**49,182**	**56,641**
Current liabilities	**17,498**	**19,325**	**21,549**	**24,109**	**26,297**
Accounts payable	1,915	2,247	2,634	2,959	3,303
Short-term debt	926	187	400	600	300
Other current liabilities	14,657	16,891	18,515	20,550	22,694
Long-term liabilities	**2,375**	**3,238**	**4,769**	**6,397**	**8,205**
Bonds & long-term debt	1,696	854	704	664	644
Other long-term liabilities	679	2,385	4,065	5,733	7,561
Total liabilities	**19,872**	**22,563**	**26,318**	**30,506**	**34,501**
Owners of parent equity	**9,904**	**11,099**	**12,902**	**15,619**	**19,083**
Capital stock	354	354	354	354	354
Capital surplus	2,460	2,600	2,600	2,600	2,600
Retained earnings	14,374	15,084	16,932	19,649	23,112
Other	-7,284	-6,938	-6,983	-6,983	-6,983
Non-controlling interests' equity	**2,466**	**3,056**	**3,056**	**3,056**	**3,056**
Total equity	**12,370**	**14,156**	**15,959**	**18,676**	**22,139**
Net debt	-706	-4,230	-7,079	-11,249	-16,652

HD KSOE: Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**2,082**	**4,289**	**4,131**	**5,428**	**6,718**
Net profit	145	1,455	2,835	4,149	5,307
Non-cash profit and expenses	427	465	1,575	1,171	1,028
Depreciation	459	504	534	564	594
Amortization	13	22	43	44	46
Other	-45	-60	998	562	388
Changes in A/L from operating activities	1,510	2,369	-279	108	383
Cash flow from investments	**-1,267**	**-1,233**	**-876**	**-876**	**-856**
Change in tangible assets	-798	-866	-876	-876	-856
Change in financial assets	-135	-2,437	0	0	0
Other	-333	2,071	0	0	0
Cash flow from financing	**-485**	**-2,359**	**63**	**160**	**-320**
Change in debt	-530	323	63	160	-320
Change in equity	-8	140	0	0	0
Dividends	-3	-1	0	0	0
Other	56	-2,821	0	0	0
Change in cash	321	699	3,319	4,713	5,542
Cash at beginning of year	2,697	3,018	3,717	7,036	11,749
Cash at end of year	3,018	3,717	7,036	11,749	17,291
Gross cash flow	**572**	**1,920**	**4,410**	**5,320**	**6,335**
Free cash flow	**1,260**	**3,398**	**3,231**	**4,528**	**5,838**

HD KSOE: Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	23.1	19.9	17.6	12.4	11.6
Operating profit	nm	408.1	180.4	31.1	27.0
Net profit	nm	903.6	94.9	46.3	27.9
Adjusted EPS**	nm	428.8	93.5	44.5	27.9
Per-share data (KRW)					
EPS (parent-based)	3,133	16,565	32,048	46,315	59,238
EPS (consolidated)	2,048	20,553	40,060	58,626	74,984
Adjusted EPS**	3,133	16,565	32,048	46,315	59,238
BVPS	139,936	156,831	182,303	220,697	269,638
DPS (common)	0	5,100	7,500	10,000	13,000
Valuations (x)					
P/E***	153.1	28.9	15.0	10.4	8.1
P/B***	3.4	3.1	2.6	2.2	1.8
EV/EBITDA	47.3	16.7	7.4	4.4	2.8
Ratios (%)					
ROE	1.2	11.0	18.8	24.0	26.0
ROA	0.7	3.4	5.7	7.2	7.9
ROIC	-46.1	11.8	28.6	31.4	39.8
Payout ratio	0.0	30.8	23.4	21.6	21.9
Dividend yield (common)	0.0	1.1	1.6	2.1	2.7
Net debt to equity	-5.7	-29.9	-44.4	-60.2	-75.2
Interest coverage (x)	1.5	7.0	37.0	45.1	60.4

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

Source: Company data, Samsung Securities estimates

HD HHI: Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**11,964**	**14,486**	**17,018**	**18,881**	**22,286**
Cost of goods sold	11,309	12,993	14,121	15,176	17,288
Gross profit	**655**	**1,494**	**2,898**	**3,705**	**4,998**
Gross margin (%)	5.5	10.3	17.0	19.6	22.4
SG&A expenses	476	789	801	873	996
Operating profit	**179**	**705**	**2,097**	**2,832**	**4,002**
Operating margin (%)	1.5	4.9	12.3	15.0	18.0
Non-operating gains (losses)	**-144**	**93**	**-186**	**13**	**58**
Financial profit	631	964	738	433	286
Financial costs	1,124	3,244	1,445	688	282
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	349	2,373	521	268	54
Pre-tax profit	**34**	**798**	**1,911**	**2,845**	**4,060**
Taxes	10	177	449	683	974
Effective tax rate (%)	28.2	22.1	23.5	24.0	24.0
Profit from continuing operations	25	622	1,462	2,162	3,086
Profit from discontinued operations	0	0	0	0	0
Net profit	**25**	**622**	**1,462**	**2,162**	**3,086**
Net margin (%)	0.2	4.3	8.6	11.5	13.8
Net profit (controlling interests)	25	622	1,462	2,162	3,086
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	457	1,011	2,419	3,164	4,345
EBITDA margin (%)	3.8	7.0	14.2	16.8	19.5
EPS (parent-based) (KRW)	278	7,001	16,469	24,354	34,759
EPS (consolidated) (KRW)	278	7,001	16,469	24,354	34,759
Adjusted EPS (KRW)*	278	7,001	16,469	24,354	34,759

HD HHI: Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**8,800**	**10,403**	**14,544**	**17,606**	**21,783**
Cash & equivalents	928	1,258	3,470	5,172	7,056
Accounts receivable	1,099	1,393	1,865	2,069	2,442
Inventories	1,310	1,511	1,865	2,328	2,748
Other current assets	5,463	6,242	7,344	8,038	9,537
Fixed assets	**8,334**	**8,988**	**9,282**	**9,359**	**9,402**
Investment assets	308	1,070	1,070	1,070	1,071
Tangible assets	6,452	6,610	6,721	6,821	6,885
Intangible assets	108	128	102	79	59
Other long-term assets	1,465	1,180	1,389	1,389	1,388
Total assets	**17,134**	**19,391**	**23,826**	**26,965**	**31,185**
Current liabilities	**9,945**	**11,796**	**13,983**	**14,656**	**15,604**
Accounts payable	1,299	1,535	1,865	2,121	2,503
Short-term debt	960	28	800	700	500
Other current liabilities	7,686	10,233	11,318	11,835	12,600
Long-term liabilities	**1,981**	**1,890**	**3,032**	**3,913**	**4,809**
Bonds & long-term debt	1,569	752	472	292	162
Other long-term liabilities	412	1,139	2,560	3,621	4,648
Total liabilities	**11,926**	**13,686**	**17,015**	**18,569**	**20,413**
Owners of parent equity	**5,207**	**5,704**	**6,811**	**8,396**	**10,772**
Capital stock	444	444	444	444	444
Capital surplus	3,123	3,123	3,123	3,123	3,123
Retained earnings	773	1,288	2,395	3,980	6,356
Other	868	850	850	850	850
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**5,207**	**5,704**	**6,811**	**8,396**	**10,772**
Net debt	2,067	-238	-2,104	-4,090	-6,238

HD HHI: Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**169**	**2,884**	**2,197**	**2,403**	**2,612**
Net profit	25	622	1,462	2,162	3,086
Non-cash profit and expenses	222	149	1,103	824	738
Depreciation	268	293	307	321	334
Amortization	10	13	15	12	9
Other	-56	-157	781	491	395
Changes in A/L from operating activities	-77	2,114	-368	-583	-1,212
Cash flow from investments	**-478**	**-499**	**-418**	**-420**	**-398**
Change in tangible assets	-469	-452	-418	-420	-398
Change in financial assets	244	-1,282	0	0	0
Other	-253	1,235	0	0	0
Cash flow from financing	**503**	**-2,049**	**433**	**-280**	**-330**
Change in debt	369	-532	433	-280	-330
Change in equity	5	-1	0	0	0
Dividends	0	-186	-207	-355	-444
Other	129	-1,330	207	355	444
Change in cash	184	330	2,212	1,702	1,884
Cash at beginning of year	744	928	1,258	3,470	5,172
Cash at end of year	928	1,258	3,470	5,172	7,056
Gross cash flow	**246**	**770**	**2,565**	**2,986**	**3,824**
Free cash flow	**-309**	**2,420**	**1,767**	**1,971**	**2,202**

HD HHI: Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	32.3	21.1	17.5	10.9	18.0
Operating profit	nm	294.8	197.3	35.0	41.3
Net profit	nm	2,417.3	135.2	47.9	42.7
Adjusted EPS**	nm	2,417.7	135.2	47.9	42.7
Per-share data (KRW)					
EPS (parent-based)	278	7,001	16,469	24,354	34,759
EPS (consolidated)	278	7,001	16,469	24,354	34,759
Adjusted EPS**	278	7,001	16,469	24,354	34,759
BVPS	58,660	64,259	76,728	94,582	121,341
DPS (common)	0	2,090	4,000	6,500	8,000
Valuations (x)					
P/E***	2,182.8	86.7	36.9	24.9	17.5
P/B***	10.3	9.4	7.9	6.4	5.0
EV/EBITDA	122.5	53.1	21.4	15.7	11.0
Ratios (%)					
ROE	0.5	11.4	23.4	28.4	32.2
ROA	0.1	3.4	6.8	8.5	10.6
ROIC	1.8	9.2	25.5	28.2	35.4
Payout ratio	0.0	29.9	24.3	26.7	23.0
Dividend yield (common)	0.0	0.3	0.7	1.1	1.3
Net debt to equity	39.7	-4.2	-30.9	-48.7	-57.9
Interest coverage (x)	1.4	4.7	23.2	30.2	54.0

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation
Source: Company data, Samsung Securities estimates

HD Mipo: Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**4,039**	**4,630**	**5,140**	**5,962**	**6,214**
Cost of goods sold	4,070	4,382	4,447	5,019	5,170
Gross profit	**-31**	**248**	**692**	**943**	**1,043**
Gross margin (%)	-0.8	5.4	13.5	15.8	16.8
SG&A expenses	122	159	178	197	204
Operating profit	**-153**	**89**	**515**	**746**	**839**
Operating margin (%)	-3.8	1.9	10.0	12.5	13.5
Non-operating gains (losses)	**-4**	**58**	**-46**	**-13**	**22**
Financial profit	228	323	263	123	75
Financial costs	292	677	560	269	98
Equity-method gains (losses)	0	0	0	0	0
Other	60	411	251	133	45
Pre-tax profit	**-157**	**146**	**469**	**733**	**861**
Taxes	-18	33	94	176	207
Effective tax rate (%)	11.4	22.5	20.0	24.0	24.1
Profit from continuing operations	-139	113	375	557	653
Profit from discontinued operations	0	0	0	0	0
Net profit	**-139**	**113**	**375**	**557**	**653**
Net margin (%)	-3.4	2.4	7.3	9.3	10.5
Net profit (controlling interests)	-143	106	356	518	608
Net profit (non-controlling interests)	4	8	19	39	46
EBITDA	-84	167	599	836	934
EBITDA margin (%)	-2.1	3.6	11.7	14.0	15.0
EPS (parent-based) (KRW)	-3,579	2,642	8,920	12,970	15,215
EPS (consolidated) (KRW)	-3,479	2,835	9,389	13,946	16,360
Adjusted EPS (KRW)*	-3,579	2,642	8,920	12,970	15,215

HD Mipo: Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,799**	**2,787**	**3,202**	**3,923**	**4,597**
Cash & equivalents	310	165	541	680	1,222
Accounts receivable	118	89	127	163	170
Inventories	230	271	301	359	392
Other current assets	2,141	2,262	2,234	2,721	2,813
Fixed assets	**2,110**	**2,322**	**2,384**	**2,441**	**2,472**
Investment assets	44	202	202	202	203
Tangible assets	1,757	1,862	1,923	1,979	2,010
Intangible assets	15	21	21	22	22
Other long-term assets	294	238	238	238	237
Total assets	**4,909**	**5,109**	**5,587**	**6,363**	**7,069**
Current liabilities	**2,735**	**2,706**	**2,608**	**2,770**	**2,769**
Accounts payable	324	355	422	408	426
Short-term debt	474	159	130	100	100
Other current liabilities	1,938	2,192	2,055	2,262	2,243
Long-term liabilities	**158**	**297**	**588**	**788**	**1,007**
Bonds & long-term debt	96	80	80	70	85
Other long-term liabilities	63	217	508	718	922
Total liabilities	**2,894**	**3,002**	**3,196**	**3,559**	**3,776**
Owners of parent equity	**1,970**	**2,048**	**2,332**	**2,747**	**3,235**
Capital stock	200	200	200	200	200
Capital surplus	82	82	82	82	82
Retained earnings	1,428	1,499	1,795	2,209	2,697
Other	260	268	256	256	256
Non-controlling interests' equity	**45**	**58**	**58**	**58**	**58**
Total equity	**2,015**	**2,106**	**2,391**	**2,805**	**3,293**
Net debt	225	36	-366	-538	-1,050

HD Mipo: Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**-533**	**361**	**550**	**324**	**652**
Net profit	-139	113	375	557	653
Non-cash profit and expenses	44	60	121	163	147
Depreciation	69	78	83	89	94
Amortization	0	0	1	1	1
Other	-25	-18	37	74	53
Changes in A/L from operating activities	-438	188	54	-396	-148
Cash flow from investments	**-112**	**-149**	**-145**	**-145**	**-125**
Change in tangible assets	-116	-144	-145	-145	-125
Change in financial assets	53	-245	0	0	0
Other	-48	240	0	0	0
Cash flow from financing	**464**	**-363**	**-29**	**-40**	**15**
Change in debt	409	-45	-29	-40	15
Change in equity	0	0	0	0	0
Dividends	0	0	-60	-104	-120
Other	55	-318	60	104	120
Change in cash	-180	-145	376	139	542
Cash at beginning of year	490	310	165	541	680
Cash at end of year	310	165	541	680	1,222
Gross cash flow	**-95**	**173**	**496**	**720**	**801**
Free cash flow	**-651**	**216**	**403**	**177**	**525**

HD Mipo: Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	8.7	14.6	11.0	16.0	4.2
Operating profit	nm	nm	481.6	44.9	12.5
Net profit	nm	nm	231.2	48.5	17.3
Adjusted EPS**	nm	nm	237.6	45.4	17.3
Per-share data (KRW)					
EPS (parent-based)	-3,579	2,642	8,920	12,970	15,215
EPS (consolidated)	-3,479	2,835	9,389	13,946	16,360
Adjusted EPS**	-3,579	2,642	8,920	12,970	15,215
BVPS	49,325	51,279	58,397	68,767	80,982
DPS (common)	0	0	1,500	2,600	3,000
Valuations (x)					
P/E***	n/a	90.8	26.9	18.5	15.8
P/B***	4.9	4.7	4.1	3.5	3.0
EV/EBITDA	n/a	58.1	15.5	10.9	9.2
Ratios (%)					
ROE	-7.0	5.3	16.3	20.4	20.3
ROA	-3.0	2.1	6.7	8.7	9.0
ROIC	-6.8	3.2	18.6	22.0	22.0
Payout ratio	0.0	0.0	16.8	20.0	19.7
Dividend yield (common)	0.0	0.0	0.6	1.1	1.3
Net debt to equity	11.2	1.7	-15.3	-19.2	-31.9
Interest coverage (x)	-11.1	4.5	41.7	71.4	85.9

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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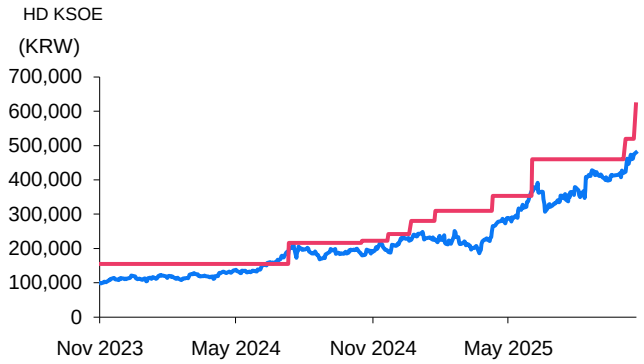
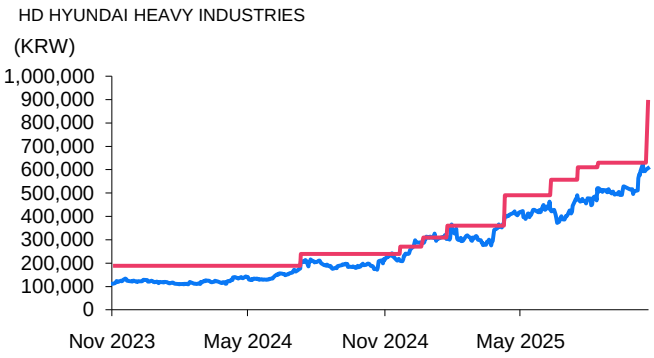
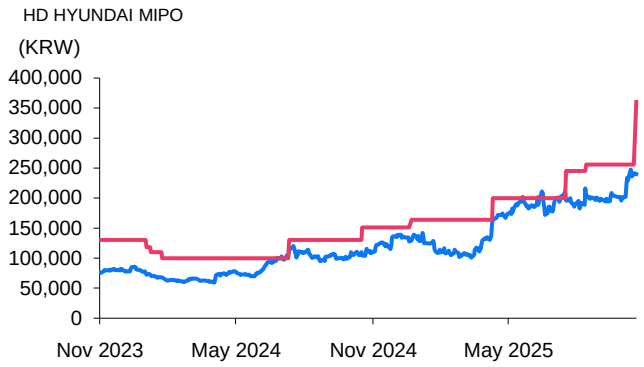
Target price changes in past two years







Rating changes over past two years (adjusted share prices)

HDKSOE											
Date	2023/7/13	2024/7/13	2024/7/26	11/1	12/6	2025/1/6	2/7	4/25	6/17	10/20	11/4
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	155000	155000	216000	223000	242000	280000	310000	353000	460000	520000	620000
Gap* (average)	-22.90	16.60	-11.83	-11.64	-10.75	-15.81	-29.33	-14.91	-18.45	-11.47	
(max or min)**	7.81	22.39	-1.39	-2.91	-2.69	-11.25	-19.03	4.11	-6.85	-7.79	

HD Hyundai Heavy Industries											
Date	2023/7/13	2024/7/13	2024/7/26	12/6	2025/1/6	2/7	4/25	6/26	8/1	8/28	11/4
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	189000	189000	240000	270000	310000	360000	490000	557000	610000	630000	890000
Gap* (average)	-33.76	-10.04	-16.98	-5.02	-0.44	-12.25	-14.73	-25.30	-22.82	-16.24	
(max or min)**	-16.61	-6.08	0.83	10.37	5.48	4.44	-5.41	-11.94	-14.59	-0.95	

HD HYUNDAI MIPO											
Date	2023/7/13	2024/1/17	1/23	2/7	7/26	11/1	2025/1/6	4/25	8/1	8/28	11/4
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	130000	118000	110000	100000	130000	151000	164000	200000	245000	256000	360000
Gap* (average)	-36.65	-38.22	-37.45	-25.70	-18.97	-18.15	-27.70	-6.61	-21.32	-18.63	
(max or min)**	-27.54	-37.37	-35.91	4.20	-7.69	-8.01	-3.35	6.00	-11.84	-3.32	

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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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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