COMPANY UPDATE

2025. 11. 6

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SM Entertainment (041510)

Earnings power improving

- SM Entertainment logged 3Q consolidated operating profit of KRW48.2b (up 262% y-y), backed by: 1) solid sales from albums, streaming, and merchandise/IP licensing; and 2) improving results at consolidated subsidiaries.
- Aespa is on a new tour. RIIZE and NCT Wish also started a world tour in 2H25.

WHAT'S THE STORY?

3Q review: SM Entertainment (SME) reported 3Q consolidated sales of KRW321.6b (up 32.8% y-y) and operating profit of KRW48.2b (up 261.6% y-y; meeting consensus). The parent's album and streaming sales expanded 32.7% y-y on the back of NCT Wish's third EP, Aespa's sixth EP, and NCT Dream's fifth studio album. Concert sales rose 37.5% y-y as NCT Dream, RIIZE, and Super Junior scaled up their concerts in size. Backed by concert-related merchandise and pop-up stores, merchandise & licensing sales leapt 32.8% y-y to KRW50.3b, establishing a new sales benchmark even though this was smaller than 2Q25 figure of KRW63.9b. SME had incurred a consolidated operating loss of KRW10.1b in 3Q24 mainly due to documentary production cost at the US subsidiary. But, the agency turned to a consolidated operating profit of KRW48.2b because SM Entertainment Japan's artists became active in terms of albums and concerts, SM Brand Marketing turned to a profit y-y, and Dear U has been subject to consolidated accounting since 2Q25.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW176,000	55.1%
Current price	**KRW113,500**	
Market cap	KRW2.6t/USD1.8b	
Shares (float)	22,894,690 (58.3%)	
52-week high/low	KRW153,000/KRW68,300	
Avg daily trading value (60-day)	KRW25.3b/ USD17.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SM Entertainment (%)	-10.7	-11.0	46.8
Vs Kosdaq (%pts)	-15.4	-28.8	22.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	176,000	176,000	0.0%
2025E EPS	14,812	14,486	2.3%
2026E EPS	6,359	6,398	-0.6%

SAMSUNG vs THE STREET

No of estimates	16
Target price	176,500
Recommendation	4.0

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

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	321.6	32.8	6.2	0.0	-1.2
Operating profit	48.2	261.5	1.2	7.6	1.0
Pre-tax profit	56.0	239.0	42.6	12.4	12.2
Net profit	43.8	1,083.1	41.8	23.5	6.8
Margins (%)					
Operating profit	15.0				
Pre-tax profit	17.4				
Net profit	13.6				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	97.2	7.7	17.8
P/B	2.6	2.6	2.3
EV/EBITDA	10.5	9.8	8.6
Div yield (%)	0.5	1.2	1.3
EPS growth (% y-y)	-78.8	1,803.5	-57.1
ROE (%)	2.6	41.0	13.9
Per-share data (KRW)			
EPS	778	14,812	6,359
BVPS	29,037	43,405	48,364
DPS	400	1,400	1,500

Armed with several rookie groups: SME's rookie artists have been expanding their presence. Aespa is on a new tour, RIIZE (which debuted in Sep 2023) commenced their first tour in July, and NCT Wish (Feb 2024) began a world tour this month. Hearts2Hearts, which debuted early this year, established a strong fanbase both in Korea and abroad. SMTR25, a group of its 25 male trainees, is already gaining attention after appearing at SM Town Live and releasing various digital content. It is likely to debut in 2H26. We see SME's artist lineup diversified.

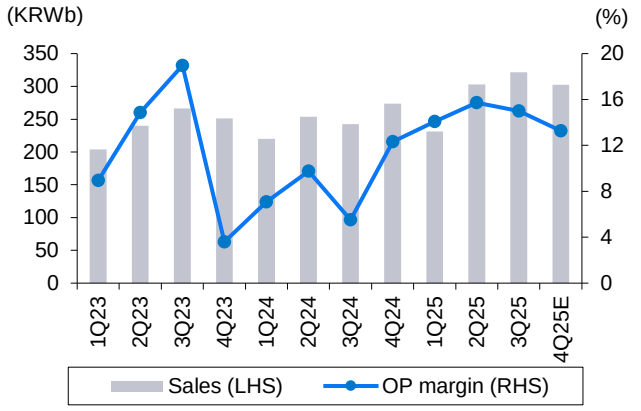
Maintaining BUY: EXO is slated for a comeback in 1Q26. Although many NCT members are doing national service, the group's performance should remain stable on the unit activities. SME's merchandise and IP licensing sales should keep growing based on upcoming merchandise launches and pop-up stores in collaborations with various characters and brand partners. We maintain BUY rating.

Table 1. Results and forecasts

(KRWb)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	2023	2024	2025E	2026E
Sales	**203.9**	**239.8**	**266.3**	**251.1**	**220.1**	**253.9**	**242.2**	**273.6**	**231.4**	**302.9**	**321.6**	**302.6**	**961.1**	**989.7**	**1,158.5**	**1,271.5**
SM Ent.	128.2	138.9	188.7	163.7	136.1	174.1	172.1	181.8	165.5	220.3	224.5	196.8	619.5	664.1	807.1	865.1
SM C&C	21.4	29.4	33.9	42.6	23.9	27.9	24.8	33.4	17.7	21.1	25.4	33.7	127.3	109.9	97.9	102.3
SM Ent. Japan	26.7	20.0	24.0	12.2	27.4	18.7	22.0	20.2	20.8	26.0	24.4	27.8	83.0	88.3	99.0	113.0
Dear U	-	-	-	-	-	-	-	-	-	20.2	22.3	22.4	-	-	64.9	98.2
Dream Maker	22.3	34.8	17.5	19.6	12.9	7.5	10.5	5.0	23.0	14.9	8.5	21.1	94.3	35.9	67.6	79.5
Keyeast	19.3	13.2	9.6	10.0	25.4	16.1	13.3	21.0	4.5	3.0	3.6	0.2	52.0	75.8	11.2	-
COGS	131.7	156.6	160.1	171.6	148.9	176.1	168.9	188.6	148.0	188.4	202.6	200.1	620.0	682.5	739.1	806.5
Gross profit	**72.2**	**83.2**	**106.2**	**79.5**	**71.1**	**77.7**	**73.4**	**85.0**	**83.4**	**114.5**	**119.0**	**102.5**	**341.0**	**307.2**	**419.4**	**465.0**
SG&A costs	53.9	47.5	55.7	70.4	55.6	53.0	60.0	51.3	50.8	66.9	70.8	62.4	227.6	219.9	250.9	267.5
Operating profit	**18.3**	**35.7**	**50.5**	**9.0**	**15.5**	**24.7**	**13.3**	**33.7**	**32.6**	**47.6**	**48.2**	**40.1**	**113.5**	**87.3**	**168.5**	**197.5**
Operating margin (%)	9.0	14.9	19.0	3.6	7.1	9.7	5.5	12.3	14.1	15.7	15.0	13.3	11.8	8.8	14.5	15.5
Non-operating gains (losses)	11.0	4.6	50.6	-60.7	3.7	-3.6	3.2	-64.5	229.3	-8.3	7.8	-2.7	5.4	-61.2	226.1	21.0
Pre-tax profit	29.2	40.3	101.1	-51.7	19.3	21.1	16.5	-30.8	261.9	39.3	56.9	37.4	118.9	26.1	395.5	218.4
Net profit (controlling)	**21.3**	**25.4**	**83.3**	**-42.7**	**12.1**	**7.3**	**6.3**	**-7.3**	**248.2**	**29.3**	**39.8**	**23.5**	**87.3**	**18.3**	**340.8**	**145.6**
Growth (% y-y)																
Sales	**20.3**	**30.0**	**11.8**	**-3.0**	**7.9**	**5.9**	**-9.0**	**9.0**	**5.2**	**19.3**	**32.8**	**10.6**	**13.0**	**3.0**	**17.1**	**9.8**
SM Ent.	11.6	25.1	39.7	7.2	6.2	25.4	-8.8	11.0	21.5	26.5	30.4	8.3	20.6	7.2	21.5	7.2
SM C&C	-2.6	-19.5	-28.9	-17.7	11.7	-5.1	-26.9	-21.7	-26.1	-24.2	2.6	1.0	-19.4	-13.6	-10.9	4.5
SM Ent. Japan	130.2	14.9	1.9	-19.3	2.4	-6.4	-8.5	65.7	-23.9	38.6	11.1	37.4	22.5	6.4	12.1	14.1
Dear U	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51.3
Dream Maker	431.4	791.1	-28.5	-26.5	-42.1	-78.4	-40.3	-74.4	78.1	99.0	-18.8	320.1	58.9	-61.9	88.1	17.6
Keyeast	40.7	-18.4	-40.6	-37.8	31.6	22.6	39.2	110.0	-82.3	-81.7	-73.0	-99.2	-16.2	45.8	-85.2	-
COGS	**30.9**	**29.1**	**1.6**	**-2.6**	**13.1**	**12.5**	**5.5**	**9.9**	**-0.6**	**6.9**	**20.0**	**6.1**	**11.6**	**10.1**	**8.3**	**9.1**
Gross profit	4.9	31.8	32.0	-3.9	-1.4	-6.5	-30.9	7.0	17.2	47.3	62.2	20.5	15.6	-9.9	36.5	10.9
SG&A costs	**8.8**	**8.7**	**9.8**	**17.4**	**3.1**	**11.5**	**7.8**	**-27.1**	**-8.6**	**26.3**	**17.9**	**21.5**	**11.5**	**-3.4**	**14.1**	**6.6**
Operating profit	-5.0	84.0	69.8	-60.2	-14.9	-30.6	-73.6	272.9	109.6	92.4	261.6	19.1	24.7	-23.1	93.0	17.2
Operating margin (%pts)	-2.4	4.4	6.5	-5.2	-1.9	-5.1	-13.5	8.7	7.0	6.0	9.5	0.9	1.1	-3.0	5.7	1.0
Non-operating gains (losses)	-32.0	-73.6	412.4	nm	-66.2	nm	-93.7	nm	6,083.8	nm	144.8	nm	-79.0	nm	nm	-90.7
Pre-tax profit	-17.3	9.3	155.1	nm	-34.2	-47.5	-83.7	nm	1,260.0	85.7	244.6	nm	1.7	-78.1	1,416.5	-44.8
Net profit (controlling)	**-22.6**	**3.2**	**224.9**	**nm**	**-43.5**	**-71.4**	**-92.4**	**nm**	**1,959.3**	**303.7**	**530.3**	**nm**	**9.1**	**-79.0**	**1,761.3**	**-57.3**

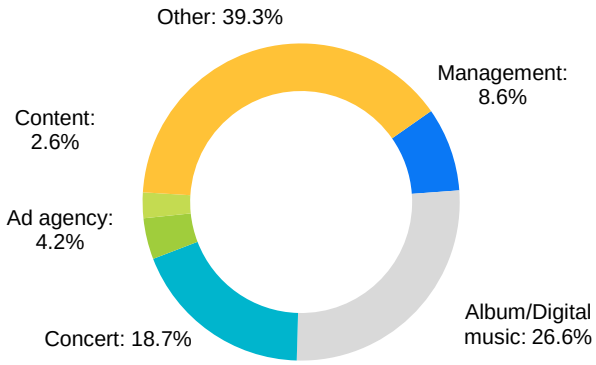
Note: DearU was consolidated starting from 2Q25
Keyeast to be removed from consolidated earnings from Dec 2025 due to stake disposal
Source: Company data, Samsung Securities

Chart 1. Sales and operating margin



Source: Company data, Samsung Securities

Chart 2. Sales, by business (3Q25)



Source: Company data, Samsung Securities

Table 2. Album sales: 3Q25 vs 3Q24

3Q25				3Q24			
Rank	**Artists**	**Key album**	**Sales (units)**	**Rank**	**Artists**	**Key album**	**Sales (units)**
1	NCT Wish	Total	1,599,953	1	NCT Wish	Total	1,238,156
		COLOR - The 3rd Mini Album	1,367,934			Songbird	389,976
2	aespa	Total	1,308,978	2	NCT 127	Total	1,040,323
		Dirty Work	174,943			WALK - The 6th Album	834,480
3	NCT Dream	Total	1,000,883	3	Chanyeol (EXO)	Total	402,561
		Go Back To The Future	957,599			Black Out - The 1st Mini Album	334,123
4	Haechan (NCT)	Total	421,574	4	Jaehyun (NCT)	Total	394,699
		TASTE - The 1st Album	421,574			J - The 1st Album	317,702
5	Super Junior	Total	378,421	5	Riize	Total	380,876
		Super Junior25	296,005			RIIZING : Epilogue	283,903
Total album sales			**5,701,256**				**3,977,847**

Note: Based on Circle Chart Top 100 / Source: Company data, Circle Chart, Samsung Securities

Table 3. Albums released since 2025

Artists	Album/EP	Release	Category	Sales (units)*
Aespa	Dirty Work	Jun 27	1st single	1,076,638
Super Junior	Super Junior25	Jul 8	12th album	372,176
NCT Dream	Go Back To The Future	Jul 14	5th album	1,000,883
HYO	Yes	Jul 16	Digital single	
WayV	Big Bands	Jul 18	7th EP	317,650
TVXQ	月の裏で?いましょう	Jul 20	Japanese digital single	
Seunghan & Soul	Waste No Time	Jul 31	1st single	103,748
Boa	Crazier	Aug 4	11th album	8,914
Naevis	Sensitive	Aug 7	Digital single	
Boa	Good for U	Aug 11	Japanese digital single	
Key (Shinee)	Hunter	Aug 11	3rd album	107,845
Joy (Red Velvet)	From JOY, with Love	Aug 18	1st EP	49,289
Chaneyeol (EXO)	Upside Down	Aug 25	2nd EP	262,806
NCT Wish	COLOR	Sep 1	1st album	1,478,045
Aespa	Rich Man	Sep 5	6th EP	1,122,116
Haechan (NCT)	Taste	Sep 8	1st album	421,574
Suho (EXO)	Who Are You	Sep 22	4th EP	70,836
Hearts2Hearts	FOCUS	Oct 20	1st EP	425,100*
Chanyeol (EXO)	Hibi	Oct 22	Japanese 1st EP	
Yuta (NCT)	Persona	Oct 26	Japanese 1st album	
Suho (EXO)	Winter is coming	Nov 2	Digital single	
Yunho (TVXQ)	I-KNOW	Nov 5	1st album	
NCT Dream	Beat It Up	Nov 17	6th EP	
RIIZE	Fame	Nov 24	2nd single	
Lim Siwan	TBD	Dec 2025	Solo album	
Taeyeon	TBD	4Q25	10th anniversary album	
WayV	TBD	4Q25	8th EP	
Changmin (TVXQ)	TBD	4Q25	Japanese 1st single	
Minho (Shinee)	TBD	4Q25	2nd EP	
Doyoung (NCT)	TBD	4Q25	1st single	
Jungwoo (NCT)	TBD	4Q25	Digital single	
Aespa	TBD	4Q25	Digital single	
NCT WISH	Wishlist	Nov 14, 2026	Japanese 1st EP	
EXO	TBD	1Q26	8th album	
Irene (Red Velvet)	TBD	1Q26	1st album	
NCT U	TBD	1Q26	1st EP	
Ten (NCT)	TBD	1Q26	3rd EP	
Hearts2Hearts	TBD	1Q26	Single	
Hyo	TBD	1Q26	Single	
Riize	TBD	1Q26	Japanese single	
SMTR25	TBD	2H26	Debut album	

Notes: Based on Circle Chart Top-100; figures span from release date to Sep 30, 2025
*Hearts2Hearts album sales are first week's sale

Source: Local media, Company data, Circle Chart, Hanteo Chart, Samsung Securities

Table 4. Concerts in 2025

Artists	Country	Concert/fan meeting	Dates	Cities	Sessions
Irene & Seulgi	Asia	Balance	Jul 4-Sep 25	6 Asian cities	7
Riize	Asia	Riizing Loud	Jul 4-Sep 21	10 Asian cities	20
Yuta (NCT)	Japan	(Talk-Show) Yuta Talk Show	Jul 6	Tokyo	2
NCT Dream	Asia	Dream The Future	Jul 10-Sep 28	Seoul, Bangkok, Hongkong, Jakarta	8
Kai (EXO)	Asia	Kaion	Jul 12-Sep 28	6 Asian cities, 6 US cities	15
Doyung (NCT)	Asia	Doors	Jul 12-Sep 21	6 Asian cities	11
NCT Wish	Japan	(Fan Meeting) Nctzen WISH	Jul 20-21	Japan	2
WayV	Asia	No Way Out	Aug 2-Sep 27	Seoul, 2 Chinese cities, 4 Japanese cities	11
SM Town	Japan	Smtown Live 2025	Aug 9-10	Tokyo	2
Super Junior	Global	Super Show 10	Aug 22-Sep 13	Seoul, Hongkong, Jakarta	6
Aespa	Korea	Aexis LINE	Aug 29-31	Seoul	3
Changmin	Japan	Changmin	Sep 3-29	8 Japanese cities	11
Key (Shinee)	Korea	Uncanny Valley	Sep 27-27	Seoul	3
Yuta (NCT)	Japan	Yuta Live Tour 2025	Oct 2-Dec 6	10 Japanese cities	13
Chanyeol	Japan	The Days	Oct 4-27	4 Japanese cities	4
Key (Shinee)	Global	Uncanny Valley	Oct 4- Dec 15	4 Asian cities, 6 US cities	11
Super Junior	Global	Super Show 10	Oct 4-Dec 14	4 Asian cities, 4 Latin cities	12
Aespa	Japan	Aexis LINE	Oct 4-Nov 27	5 Japanese cities, Bangkok	12
Doyoung (NCT)	Korea	Doors	Oct 9-11	Incheon	3
Changmin (TVXQ)	Japan	Changmin	Oct 10-Dec 7	4 Japanese cities	9
NCT Dream	Asia	Dream The Future	Oct 18-Dec 14	Singapore, Saitama, Taiwan, Kuala Lumpur	8
WayV	Asia	No Way Out	Oct 18-Nov 14	6 US Cities, Mexico City	7
Riize	US	Riizing Loud	Oct 30-Nov 14	8 US cities	8
NCT Wish	Asia	Into The Wish : Our Wish	Nov 1-Dec 23	Incheon, 7 Japanese cities	20
TVXQ	Japan	(Fan Meeting) Bigeast Rain	Nov 2-24	Tokyo, Hyogo	5
Minho (Shinee)	Korea	Out Movie	Dec 13-14	Seoul	2
EXO	Korea	(Fan Meeting) Exo'verse	Dec 14	Incheon	2
Super Junior	Asial	Super Show 10	Jan 3-Mar 8, 2026	5 Asian cities	9
NCT Dream	Japan	Dream The Future	Jan 8-25, 2026	Osaka, Nagoya	5
Riize	Asia	Riizing Loud	Jan 10-Feb 23, 2026	5 Asian cities	7
NCT WISH	Asia	Into The Wish : Our Wish	Jan 25-Mar 21, 2026	6 Asian cities	8
aespa	Asia	Aexis LINE	Feb 7-Mar9, 2026	Hongkong, Macau	4
NCT Wish	Asia	Into The Wish : Our Wish	Apr 4-11, 2026	Bangkok, Jakarta	2
aespa	Asia	Aexis LINE	Apr 4	Jakarta	1

Source: Local media, Company data, Samsung Securities

Chart 3. NCT Dream 5th album (Jul 14)

Source: Company data, Samsung Securities

Chart 4. Chanyeol (EXO) 2nd EP (Aug 25)

Source: Company data, Samsung Securities

Chart 5. NCT Wish 1st album (Sep 1)

Source: Company data, Samsung Securities

Chart 6. Aespa 6th EP (Sep 5)

Source: Company data, Samsung Securities

Chart 7. Haechan (NCT) 1st album (Sep 8)

Source: Company data, Samsung Securities

Chart 8. Hearts2Hearts 1st EP (Oct 20)

Source: Company data, Samsung Securities

Chart 9. SMTR25 <W.O.W> (Oct 10)

Note: Content have been uploaded Youtube channel from Oct 10
Source: Company data, Samsung Securities

Chart 10. SMTR25 <Reply High School> (1H26)

Note: Co-production with Egg is Coming
Source: Company data, Samsung Securities

Table 5. Artist lineup

Group	Member	Debut	Group	Member	Debut	Group	Member	Debut	Group	Member	Debut
Kangta		1996	Red	Irene	2014	WayV	Kun	2019	Dear Alice	James sharp	Feb 2025
BoA		2000	Velvet**	Seulgi			Ten			Dexter Greenwood	
TVXQ	Yunho	2003		Joy			Winwin			Oliver Queen	
	Changmin		NCT	Jonny	2016		Xiaojun			Reese Carter	
Super	Leeteuk	2005		Taeyong			Hendery			Blaise Noon	
Junior	Heechul			Yuta			Yangyang		Hearts2Hearts	Jiwoo	Feb
	Yesung			Doyoung		Aespa	Karina	2020		Carmen	2025
	Sindong			Jaehyun			Giselle			Yuha	
	Siwon			Jungwoo			Winter			Stella	
	Ryeowook			Mark			Ningning			Juun	
	Sungmin			Renjun		Riize	Shotaro	Sep 2023		A-Na	
Girl's	Taeyeon	2007		Jeno			Eunseok			Leean	
Generation	Hyoyeon			Haechan			Sungchan			Ye-on	
	Yuri			Jaemin			Wonbin		Seunghan & Soul*	Seounghan	Jul 2025
	Yoona			Chenle			Sohee		SMTR25		2H26
Super	Zhoumi	2008		Jisung			Anton		(Boy group)		
Junior M			Lucas		2018	NCT Wish	Sion	Feb 2024			
Shinee	Key						Riku				
	Minho						Yushi				
EXO	Suho	2014					Jahee				
	Chanyeol						Ryo				
	Kai						Sakuya				
	Sehun										

Note: *Seunghan announced his departure from Riize (Oct 14, 2024) but debuted by solo on Jul 2025
**Wendy and Yeri announced departure from SM Entertainment but group activities are will be continued with SM Entertainment
Source: Company data, Samsung Securities

Table 6. Partnership with Tencent Music Entertainment

Category	Details
SM Entertainment	Extensive global distribution network & global fandom management expertise
	World-class A&R system and music/music-video production capabilities
	Strong experience in artist-driven merchandise planning and execution of global concerts
	Structured casting and training management system
Tencent Music Entertainment	Dominant platform influence and localized marketing power in China
	Supporting China-tailored content creation through in-house studios
	Platform traffic based on 500m MAU and diversified monetization channels
	Advanced fandom analysis and market forecasting capabilities based on user data
Expected benefits	Value chain expansion through end-to-end collaboration
	Tangible results from IP monetization
	Creation of a success model for idol development

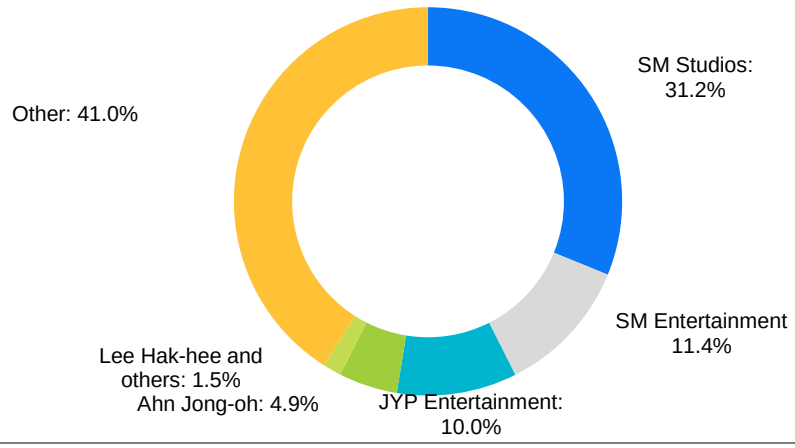
Source: Company data, Samsung Securities

Table 7. Dear U: Consolidation as a subsidiary

Category	Details
Short-term synergies	Enhance consolidated earnings through consolidation of Dear U
	Increase asset value through revaluation of SM's equity interest in Dear U
	Launch service in China via strategic partnership with Tencent Music
	Expand SM's IP on Dear U platform
Mid-to-long term strategy	Accelerate penetration of global market and expand IP
	Portfolio diversification via continuous rollouts of new services
	Development of new business models such as AI-Pet Bubble and Merchandise

Source: Company data, Samsung Securities

Chart 11. Dear U's shareholders



Note: SM Entertainment acquired 11.4% stake in Dear U on Mar 24, 2025
Source: Company data, Dear U, Samsung Securities

Table 8. SM Entertainment to absorb SM Studios through merger

Category	Details
Acquiring company	SM Entertainment
Target company	SM Studios*
Affiliated subsidiaries	SM C&C (29.23%), SM Life Design (29.29%), Dear U (31.16%), KeyEast (28.38%), Mystic Story (37.75%)
Purpose of merger	To generate synergies through integration of management resources, enhance operational efficiency, and strengthen business competitiveness
Effective date of merger	Oct 3, 2025

Note: As SM Entertainment owns 100% of SM Studios, the merger will have no impact on the controlling interest or governance structure of the acquiring company;
*SM Studios functions as a holding company managing subsidiaries in non-music content sectors, such as drama, new media
Source: Company data, Samsung Securities

Table 9. SM Entertainment signs agreement to sell stake in KeyEast

Category	Details
Assigner	SM Studios (28.38%), SMEJ Holdings (5.33%)
Assignee	IRO investment fund
Total Amount (KRW)	34,005,695,160 (KRW5,160 per share)
Number of Share	6,590,251
Contract date	Oct 16, 2025
Closing date	Dec 4, 2025

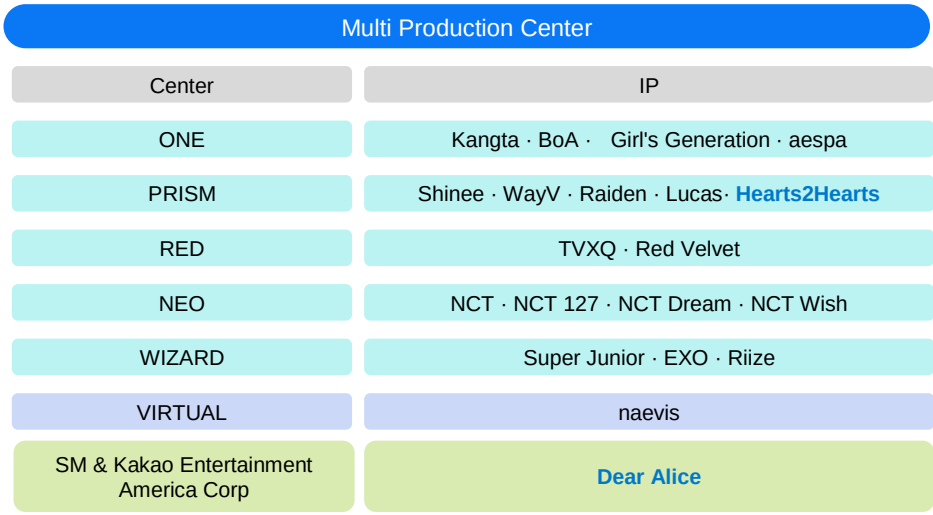
Source: Company data, Samsung Securities

Table 10. SM Entertainment signs agreement to sell stake in Dreamus

Category	Details
Assigner	SM Entertainment (5.5%)
Assignee	Be My Friends
Total Amount (KRW)	9,650,350,656 (KRW2,368 per share)
Number of Share	4,075,317
Change in stake	12.55% → 7.05%
Contract date	Oct 30, 2025
Closing date	Nov 28, 2025

Source: Company data, Samsung Securities

Chart 12. Multi production center



Source: Company data, Samsung Securities

Table 11. Revisions to 2025 and 2026 forecasts

(KRWb)	2025E			2026E		
	Old	New	Chg (%)	Old	New	Chg %
Sales	1,163.1	1,158.5	-0.4	1,264.9	1,271.5	0.5
Operating profit	166.0	168.5	1.5	197.3	197.5	0.1
Operating margin (%, %pts)	14.3	14.5	0.3	15.6	15.5	-0.1
Pre-tax profit	389.7	395.5	1.5	215.8	218.4	1.2
Net profit (controlling)	333.2	340.8	2.3	146.5	145.6	-0.6

Source: Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**961**	**990**	**1,158**	**1,272**	**1,355**
Cost of goods sold	620	682	739	807	860
Gross profit	**341**	**307**	**419**	**465**	**496**
Gross margin (%)	35.5	31.0	36.2	36.6	36.6
SG&A expenses	228	220	251	268	289
Operating profit	**113**	**87**	**169**	**197**	**207**
Operating margin (%)	11.8	8.8	14.5	15.5	15.3
Non-operating gains (losses)	**5**	**-61**	**226**	**21**	**23**
Financial profit	22	23	18	19	20
Financial costs	9	9	12	12	11
Equity-method gains (losses)	47	-2	231	9	11
Other	-55	-73	-11	5	4
Pre-tax profit	**119**	**26**	**395**	**218**	**230**
Taxes	36	25	41	65	68
Effective tax rate (%)	30.5	96.9	10.3	29.7	29.7
Profit from continuing operations	83	1	354	154	161
Profit from discontinued operations	0	0	0	0	0
Net profit	**83**	**1**	**354**	**154**	**161**
Net margin (%)	8.6	0.1	30.5	12.1	11.9
Net profit (controlling interests)	87	18	340	146	153
Net profit (non-controlling interests)	-5	-17	14	8	8
EBITDA	171	149	207	221	222
EBITDA margin (%)	17.8	15.1	17.9	17.4	16.4
EPS (parent-based) (KRW)	3,664	778	14,812	6,359	6,687
EPS (consolidated) (KRW)	3,470	35	15,416	6,709	7,047
Adjusted EPS (KRW)*	3,664	778	14,812	6,359	6,687

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**858**	**814**	**1,241**	**1,423**	**1,591**
Cash & equivalents	303	358	708	838	968
Accounts receivable	153	158	185	203	216
Inventories	26	28	33	36	38
Other current assets	376	270	316	346	369
Fixed assets	**683**	**605**	**600**	**598**	**599**
Investment assets	253	242	275	296	313
Tangible assets	71	76	57	45	39
Intangible assets	204	140	121	109	101
Other long-term assets	156	147	147	147	147
Total assets	**1,541**	**1,419**	**1,841**	**2,020**	**2,190**
Current liabilities	**519**	**485**	**557**	**611**	**651**
Accounts payable	211	210	246	270	288
Short-term debt	42	5	5	5	5
Other current liabilities	266	269	306	336	358
Long-term liabilities	**112**	**105**	**112**	**116**	**119**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	112	105	112	116	119
Total liabilities	**632**	**590**	**669**	**727**	**770**
Owners of parent equity	**723**	**665**	**994**	**1,107**	**1,226**
Capital stock	12	12	12	12	12
Capital surplus	362	353	353	353	353
Retained earnings	365	320	651	764	883
Other	-17	-20	-22	-22	-22
Non-controlling interests' equity	**187**	**164**	**178**	**186**	**194**
Total equity	**909**	**829**	**1,172**	**1,293**	**1,420**
Net debt	-346	-370	-743	-884	-1,022

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**113**	**136**	**417**	**194**	**189**
Net profit	83	1	354	154	161
Non-cash profit and expenses	94	152	66	69	60
Depreciation	30	33	19	11	7
Amortization	28	29	19	12	8
Other	36	90	28	46	45
Changes in A/L from operating activities	-34	6	25	17	13
Cash flow from investments	**-83**	**56**	**-27**	**-18**	**-13**
Change in tangible assets	-19	-22	0	0	0
Change in financial assets	23	71	-27	-18	-13
Other	-87	7	-0	-0	-0
Cash flow from financing	**-43**	**-144**	**-12**	**-29**	**-32**
Change in debt	33	-36	-3	3	2
Change in equity	-5	-9	0	0	0
Dividends	-28	-28	-9	-32	-34
Other	-42	-72	0	0	0
Change in cash	-14	55	350	129	130
Cash at beginning of year	318	303	358	708	838
Cash at end of year	303	358	708	838	968
Gross cash flow	**177**	**153**	**420**	**223**	**222**
Free cash flow	**94**	**111**	**417**	**194**	**189**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	13.0	3.0	17.1	9.8	6.6
Operating profit	24.7	-23.1	93.0	17.2	4.8
Net profit	0.8	-99.0	43,114.7	-56.6	5.0
Adjusted EPS**	8.9	-78.8	1,803.5	-57.1	5.2
Per-share data (KRW)					
EPS (parent-based)	3,664	778	14,812	6,359	6,687
EPS (consolidated)	3,470	35	15,416	6,709	7,047
Adjusted EPS**	3,664	778	14,812	6,359	6,687
BVPS	30,825	29,037	43,405	48,364	53,551
DPS (common)	1,200	400	1,400	1,500	1,650
Valuations (x)					
P/E***	25.1	97.2	7.7	17.8	17.0
P/B***	3.0	2.6	2.6	2.3	2.1
EV/EBITDA	11.9	10.5	9.8	8.6	8.0
Ratios (%)					
ROE	12.3	2.6	41.0	13.9	13.1
ROA	5.5	0.1	21.7	8.0	7.7
ROIC	31.4	1.1	89.4	113.6	158.3
Payout ratio	32.2	50.0	9.4	23.6	24.7
Dividend yield (common)	1.3	0.5	1.2	1.3	1.5
Net debt to equity	-38.0	-44.6	-63.4	-68.3	-71.9
Interest coverage (x)	19.9	16.0	36.5	42.7	43.7

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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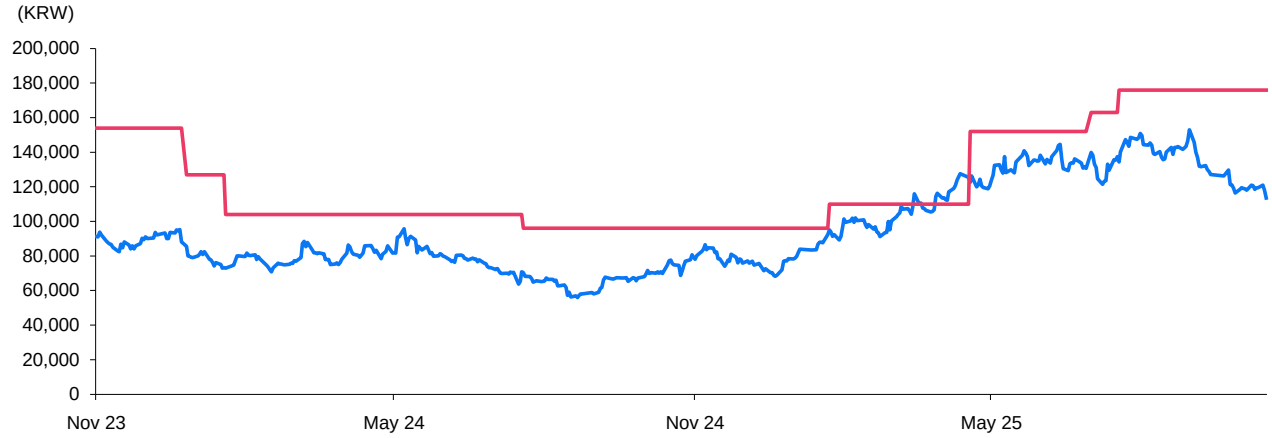
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/8/3	11/9	2024/1/15	2/8	8/8	2025/2/11	5/8	7/21	8/7
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	170000	154000	127000	104000	96000	110000	152000	163000	176000
Gap* (average)	-25.75	-41.40	-38.45	-23.90	-24.84	-5.09	-13.15	-19.92	
(max or min)**	-16.82	-33.12	-35.04	-7.88	-3.85	15.91	-4.93	-15.21	

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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