COMPANY UPDATE

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Haesung DS (195870)

3Q review: A return to strong earnings

- Haesung DS reported a 3Q operating profit above consensus, thanks to strong lead frame and package substrate sales. Its non-operating profit also beat consensus, as the weak won led to valuation gains on accounts receivable (98% of its sales are denominated in US dollar).
- We expect solid performance in lead frames, given robust EV demand and potential windfall from Nexperia incident. In the DDR5 segment, it is likely to gain market share and launch new products in 2026.
- Destocking appears unlikely this 4Q, given the booming memory chip market. We raise our target price and maintain BUY.

▶ AT A GLANCE

BUY

Target price	KRW60,000	14.7%
Current price	**KRW52,300**	
Market cap	KRW889.1b/USD610.27m	
Shares (float)	17,000,000 (61.8%)	
52-week high/low	KRW55,000/KRW18,000	
Avg daily trading value (60-day)	KRW9.0b/ USD6.2m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Haesung DS (%)	33.1	161.5	102.7
Vs Kospi (%pts)	19.5	70.2	31.5

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	60,000	55,000	9.1%
2025E EPS	1,992	1,462	36.3%
2026E EPS	4,777	4,467	6.9%

▶ SAMSUNG vs THE STREET

No of estimates	7
Target price	51,071
Recommendation	4.0

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

WHAT'S THE STORY?

Raising target price by 9%: We increase our 2026 and 2027 earnings forecasts for Haesung DS to reflect robust 3Q results and strong industry conditions. We arrive at our new target price of KRW60,000 by applying a P/E multiple of 12.5x to our 2026 EPS forecast.

- **Target P/E multiple unchanged at 12.5x:** Although our new target multiple reflects a change in how the market perceives legacy chips (a key market for Haesung DS) and a rise in global substrate peer valuations, it still implies a 40% discount to the peer group's 2026 average (Bloomberg). Since the pandemic, Haesung DS has traded between 5.7x P/E and 17.5x, showing significant volatility due both to downstream industry conditions and to global chip shortages. Historically, the stock has traded at a 30-50% discount to peers in lead frames and package substrates. In the lead frame market, Haesung DS is the world's second-largest player, but sentiment remains cautious as global demand is thought to be stagnant and the Korean firm is a late-starter in the package substrate market.

(Continued on the next page)

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	178.6	19.5	13.5	2.1	3.2
Operating profit	16.1	37.5	96	12.4	23.5
Pre-tax profit	18.8	187	nm	67.1	35.3
Net profit	14.1	137	nm	67.1	50.8
Margins (%)					
Operating profit	9.0				
Pre-tax profit	10.5				
Net profit	7.9				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuations (x)			
P/E	6.8	26.3	10.9
P/B	0.7	1.5	1.4
EV/EBITDA	4.1	9.2	5.7
Div yield (%)	3.4	1.5	1.9
EPS growth (% y-y)	-30.5	-42.3	139.8
ROE (%)	11.0	6.0	13.3
Per-share data (KRW)			
EPS	3,453	1,992	4,777
BVPS	32,722	33,914	37,891
DPS	800	800	1,000

- **Potential windfall from Nexperia incident:** After the US-China meeting at APEC, the Chinese government said it will lift ban on Nexperia chip exports. But with volume restrictions still in place, Honda halted production at Mexico plant. VW, Stellantis, and BMW cut production. Nexperia offers an extensive portfolio of discrete semiconductors, including transistors and diodes, priced at around USD1 or less, and European automakers rely on Nexperia for 25-30% of their discrete chip needs. As European automakers look to diversify sourcing of legacy chips, European legacy chip manufacturers—Haesung DS's major clients—will likely ramp up production.

3Q review—DDR5-related sales kick into high gear: Haesung DS reported 3Q sales of KRW178.6b (+13.5% q-q and +19.5% y-y) and an operating profit of KRW16.1b (+95.7% q-q and 37.5% y-y) for an operating margin of 9%.

- **Lead frame sales at KRW134.7b (+8.2% q-q and +18.6% y-y):** The firm's auto chip substrate sales hit KRW84.6b (+14.9%), representing 50% of its sales. Since 2Q, its auto chip substrate sales have risen beyond levels seen during 2022 global chip shortages— attributable to growing European EV demand. Non-automotive lead frame sales were also solid. Supported by a recovery in IT product demand, it increased sales to US clients.
- **Package substrate sales at KRW46.7b (+36.1% q-q and +28.2% y-y):** 1) The company's DDR5 package substrate shipments to a domestic client began in April, and triple the amount was shipped to the domestic client's Chinese plant in July. Backed by a surge in DDR5-related sales, its total package substrate sales approached KRW50b.

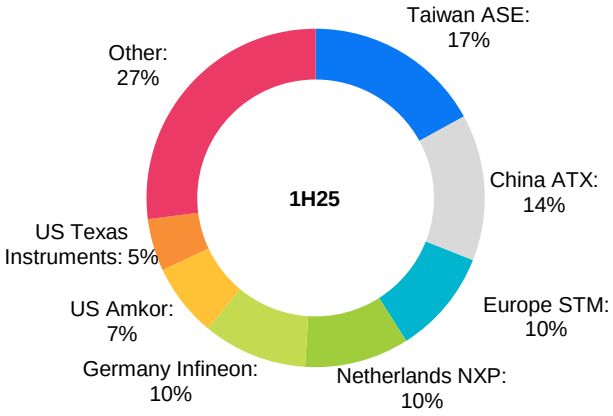
  2) DDR4 prices spiked after most global chipmakers said they will discontinue DDR4 production starting 2026. With PC production necessitating DDR4 inventory restocking, they decided to delay ending DDR4 production until end-2026. Haesung DS is a dominant player in DDR4 substrates, with an 80% market share. Its quarterly sales are likely to reach KRW12b-15b until end-2026
- **Non-operating profit:** With 98% of its sales denominated in US dollar, Haesung DS enjoyed a KRW3b forex gain on accounts receivable as the won weakened 3.7% y-y as of end-quarter (from KRW1,353.8/USD to KRW1,403.8/USD).

4Q preview: We expect the company to report 4Q sales of KRW194b (+33.5% y-y) and an operating profit of KRW19.6b (+213.3% y-y), for an operating margin of 10.1%. Backed by DDR5-related sales growth, the package substrates business should turn around from a small deficit. FnGuide consensus puts sales at KRW179.2b and operating profit at KRW15.3b, for an operating margin of 8.5%.

Discrete semiconductor

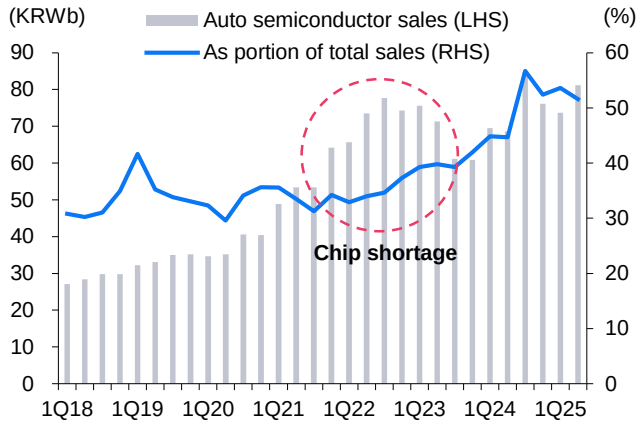
Source: Google Image

Haesung DS: Lead frame sales, by customer (1H25)



Source: Company data, Samsung Securities

Haesung DS: Automotive semiconductors sales



Source: Company data, Samsung Securities

Global lead frame market shares

	M/S (%)
Mitsui High-tec	11
Haesung DS	9
CWTC	8
Shinko	8

Source: Haesung DS, Samsung Securities

Haesung DS: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (avg)	1,453	1,400	1,387	1,400	1,380	1,380	1,360	1,360	1,365	1,410	1,370	1,330
Revenue	137	157	179	194	190	191	201	219	603	667	802	994
Growth (% y-y)	-11.2	2.5	19.5	33.5	38.5	21.6	12.4	13.2	-10.3	10.7	20.2	24.0
Lead frame	111	124	135	140	132	124	127	134	434	510	516	547
Package substrate	28	34	47	53	59	68	74	85	169	162	286	448
Gross profit	14	22	31	38	38	43	42	45	111	105	169	219
Operating profit	0.4	8.2	16.1	19.6	21.4	26.9	25.1	28.3	56.9	44.3	101.8	142.5
Growth (% y-y)	-98.3	-54.3	37.5	213.3	6,019.4	227.1	55.9	44.2	-44.5	-22.0	129.6	40.1
Pre-tax profit	0.0	-0.8	18.8	26.1	19.8	25.8	25.8	34.1	67.0	44.1	105.5	146.5
Net profit	0.6	-0.4	14.1	19.6	15.3	19.8	19.9	26.2	58.7	33.8	81.2	112.8
Growth (% y-y)	-97.0	-102.1	136.6	60.1	2,535.0	-4,607.6	40.8	33.8	-30.5	-42.3	139.9	38.9
Controlling profit	0.6	-0.4	14.1	19.6	15.3	19.8	19.9	26.2	58.7	33.8	81.2	112.8
Growth (% y-y)	-97.0	-102.1	136.6	60.1	2,535.0	-4,607.6	40.8	33.8	-30.5	-42.3	139.9	38.9
Margins (% y-y)												
Gross profit	9.9	13.9	17.6	19.8	20.2	22.7	20.9	20.6	18.5	15.8	21.1	22.0
Operating profit	0.3	5.2	9.0	10.1	11.2	14.1	12.5	12.9	9.4	6.6	12.7	14.3
Pre-tax profit	0.0	-0.5	10.5	13.5	10.4	13.5	12.8	15.5	11.1	6.6	13.1	14.7
Controlling profit	0.4	-0.3	7.9	10.1	8.0	10.4	9.9	12.0	9.7	5.1	10.1	11.3

Source: Company data, Samsung Securities estimates

Global semiconductor substrate manufacturers: Valuations

Company	Stock price		Performance (%)			Market cap		P/E (x)			P/B (x)			ROE (%)		
		(Local)	1M	3M	YTD	(Local bil.)	(USDb)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Lead frame manufacturers																
Mitsui High-Tec	JPY	743	-8.2	-3.8	-11.8	146.6	1.0	11.7	16.4	11.3	1.3	1.2	1.1	11.5	7.0	9.8
SDI Electric	TWD	89	9.5	17.4	-13.1	16.1	0.5	51.3	22.2	19.0	2.3	2.1	2.0	4.6	9.4	11.0
ASM Pacific	HKD	81.3	-9.0	17.0	-3.6	33.8	4.4	173.2	25.5	17.7	2.1	2.0	1.8	1.6	8.1	10.9
Ningbo Kangqiang	CNY	19.1	8.2	12.5	30.4	7.2	1.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average								78.8	21.4	16.0	1.9	1.8	1.6	5.9	8.1	10.6
Package Substrate manufactures																
Unimicron	TWD	162.0	2.5	19.1	-8.2	247.8	8.0	46.3	18.3	13.1	2.6	2.3	2.0	5.4	13.1	16.2
Ibiden	JPY	12,705	31.7	90.5	139.8	1,790	11.7	58.9	43.3	31.7	3.4	3.4	3.1	6.1	8.1	10.1
Samsung Electro-mechanics	KRW	218,000	11.3	40.4	85.4	16,283	11.2	25.1	17.3	14.2	1.8	1.7	1.5	7.3	9.9	11.0
Kinsus	TWD	129.0	12.2	27.1	19.4	58.9	1.9	33.9	18.0	14.1	1.8	1.6	1.5	4.6	8.7	9.9
LG Innotek	KRW	249,500	32.4	58.2	43.3	5,905	4.1	13.3	10.3	9.0	1.0	1.0	0.9	8.0	9.7	10.2
Simmtech	KRW	60,800	19.2	157.6	319.3	2,119	1.5	n/a	20.2	13.2	4.4	3.6	2.9	-2.4	19.3	23.6
Daeduck Electronics	KRW	41,900	36.5	88.3	130.3	2,071	1.4	46.3	21.8	17.6	2.4	2.1	1.9	5.0	10.9	12.1
Korea Circuit	KRW	20,800	9.5	80.1	111.2	491	0.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average								37.3	21.3	16.1	2.5	2.2	2.0	4.9	11.4	13.3
Haesung DS	**KRW**	**51,300**	**30.5**	**113.8**	**98.8**	**872.1**	**0.6**	**32.2**	**12.8**	**9.7**	**1.5**	**1.4**	**1.2**	**4.8**	**11.1**	**13.2**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**672**	**603**	**667**	**802**	**994**
Cost of goods sold	512	492	562	633	776
Gross profit	**161**	**111**	**105**	**169**	**219**
Gross margin (%)	23.9	18.5	15.8	21.1	22.0
SG&A expenses	58	55	61	67	76
Operating profit	**103**	**57**	**44**	**102**	**143**
Operating margin (%)	15.2	9.4	6.6	12.7	14.3
Non-operating gains (losses)	**3**	**10**	**-0**	**4**	**4**
Financial profit	4	3	1	1	2
Financial costs	5	3	4	3	3
Equity-method gains (losses)	0	0	0	0	0
Other	4	10	2	6	5
Pre-tax profit	**106**	**67**	**44**	**105**	**146**
Taxes	21	8	10	24	34
Effective tax rate (%)	20.2	12.3	23.3	23.0	23.0
Profit from continuing operations	84	59	34	81	113
Profit from discontinued operations	0	0	0	0	0
Net profit	**84**	**59**	**34**	**81**	**113**
Net margin (%)	12.6	9.7	5.1	10.1	11.3
Net profit (controlling interests)	84	59	34	81	113
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	147	107	104	166	206
EBITDA margin (%)	21.9	17.8	15.7	20.7	20.7
EPS (parent-based) (KRW)	4,966	3,453	1,992	4,777	6,633
EPS (consolidated) (KRW)	4,966	3,453	1,992	4,777	6,633
Adjusted EPS (KRW)*	4,966	3,453	1,992	4,777	6,633

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**344**	**322**	**290**	**367**	**501**
Cash & equivalents	140	84	27	51	109
Accounts receivable	103	117	130	156	193
Inventories	90	107	119	143	177
Other current assets	11	13	15	18	22
Fixed assets	**345**	**472**	**512**	**528**	**525**
Investment assets	0	0	0	0	0
Tangible assets	306	425	466	484	481
Intangible assets	23	32	31	29	28
Other long-term assets	16	15	15	15	15
Total assets	**689**	**794**	**803**	**895**	**1,026**
Current liabilities	**132**	**201**	**189**	**212**	**246**
Accounts payable	29	20	22	27	34
Short-term debt	33	73	73	73	73
Other current liabilities	70	108	94	113	140
Long-term liabilities	**42**	**36**	**37**	**38**	**40**
Bonds & long-term debt	33	26	26	26	26
Other long-term liabilities	9	10	11	12	14
Total liabilities	**174**	**238**	**226**	**251**	**286**
Owners of parent equity	**515**	**556**	**577**	**644**	**740**
Capital stock	85	85	85	85	85
Capital surplus	22	22	22	22	22
Retained earnings	408	449	469	537	633
Other	0	1	1	1	1
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**515**	**556**	**577**	**644**	**740**
Net debt	-60	43	76	53	-6

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**143**	**61**	**80**	**117**	**136**
Net profit	84	59	34	81	113
Non-cash profit and expenses	81	73	72	91	98
Depreciation	43	48	58	63	62
Amortization	1	2	2	2	1
Other	37	23	12	26	35
Changes in A/L from operating activities	30	-60	-14	-28	-41
Cash flow from investments	**-68**	**-144**	**-100**	**-80**	**-60**
Change in tangible assets	-94	-148	-100	-80	-60
Change in financial assets	30	-0	-0	-0	-0
Other	-4	4	0	0	0
Cash flow from financing	**-11**	**27**	**-37**	**-14**	**-17**
Change in debt	4	47	-24	0	0
Change in equity	0	0	0	0	0
Dividends	-15	-15	-14	-14	-17
Other	-0	-5	0	0	0
Change in cash	63	-56	-57	23	59
Cash at beginning of year	76	140	84	27	51
Cash at end of year	140	84	27	51	109
Gross cash flow	**166**	**132**	**106**	**172**	**211**
Free cash flow	**49**	**-88**	**-20**	**37**	**76**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-19.9	-10.3	10.7	20.2	24.0
Operating profit	-49.9	-44.5	-22.0	129.6	40.1
Net profit	-47.0	-30.5	-42.3	139.8	38.9
Adjusted EPS**	-47.0	-30.5	-42.3	139.8	38.9
Per-share data (KRW)					
EPS (parent-based)	4,966	3,453	1,992	4,777	6,633
EPS (consolidated)	4,966	3,453	1,992	4,777	6,633
Adjusted EPS**	4,966	3,453	1,992	4,777	6,633
BVPS	30,297	32,722	33,914	37,891	43,524
DPS (common)	900	800	800	1,000	1,200
Valuations (x)					
P/E***	11.2	6.8	26.3	10.9	7.9
P/B***	1.8	0.7	1.5	1.4	1.2
EV/EBITDA	6.0	4.1	9.2	5.7	4.3
Ratios (%)					
ROE	17.5	11.0	6.0	13.3	16.3
ROA	12.5	7.9	4.2	9.6	11.7
ROIC	18.7	9.5	5.4	11.6	15.3
Payout ratio	18.1	23.2	40.2	20.9	18.1
Dividend yield (common)	1.6	3.4	1.5	1.9	2.3
Net debt to equity	-11.6	7.8	13.3	8.2	-0.8
Interest coverage (x)	22.0	17.9	12.5	32.0	44.8

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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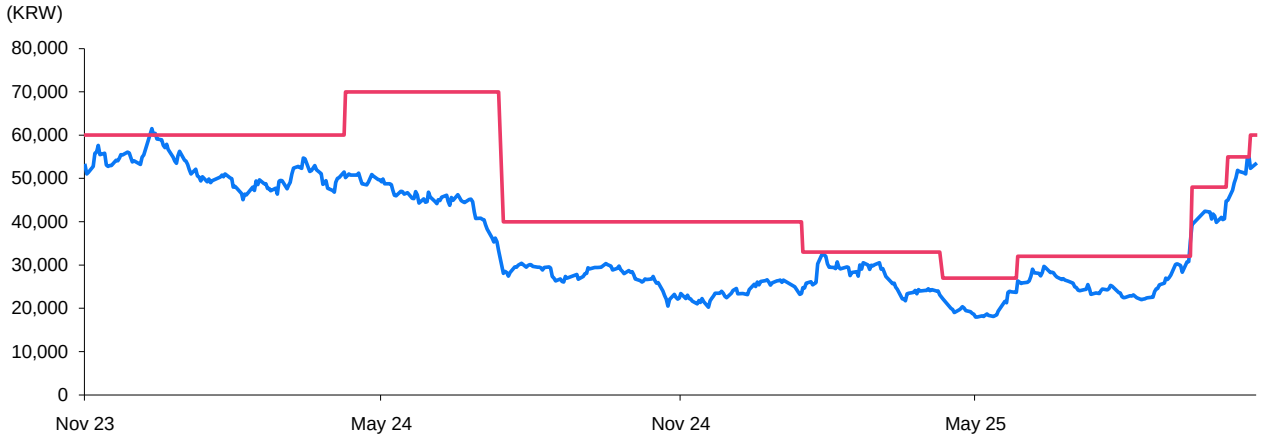
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/30	2024/4/30	8/5	2025/2/5	5/2	6/17	10/2	10/24	11/7
Recommendation	BUY	BUY	HOLD	BUY	HOLD	BUY	BUY	BUY	BUY
Target price (KRW)	60000	70000	40000	33000	27000	32000	48000	55000	60000
Gap* (average)	-14.12	-35.33	-34.76	-18.15	-26.39	-19.38	-13.50	-6.68	
(max or min)**	2.50	-26.86	-24.00	-1.06	-11.30	11.25	-6.77	0.00	

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 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

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