COMPANY UPDATE

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Finance/Consumer Goods Team

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Cosmax (192820)

3Q review: Two sides to client diversification; industry laggards close behind

- Cosmax's consolidated 3Q sales and operating profit came out at a respective KRW585.6b and KRW42.7b—the former meeting consensus and the latter missing it by 25%.
- The parent's operating margin sharply fell to 8.9%, as: 1) a cut to the minimum order quantity (MOQ)—in a move to secure new clients—hurt its operating leverage; and 2) a premium that the firm had enjoyed narrowed, with industry laggards chasing closely.
- We cut our earnings estimate for the firm, and accordingly trim our target price to KRW235,000.

WHAT'S THE STORY?

Parent—diversification bringing unintended side effect and industry laggards chasing closely: Cosmax's parent-based 3Q sales and operating profit hit a respective KRW383.5b (up 10.7% y-y) and KRW34.3b (down 13.2% y-y). The sales growth (10.7% y-y) missed our estimate (12% y-y growth), and its operating margin sharply fell to 8.9% (from 11.4% in 3Q24), leading to a y-y decline in operating profit. As we said in our Oct 16 preview report, the firm's client diversification strategy by lowering the minimum order quantity (MOQ)—in a move to hurriedly secure new indie-brand clients—hurt its operating leverage, and a premium that the firm had enjoyed narrowed with industry laggards chasing closely. Such changes have not made a dent in the big picture for the firm, but related impacts proved greater than expected.

US—recovery slower than expected: In 3Q, the firm's US subsidiary recorded a KRW2b operating loss (for a margin of -5%) and a KRW7.4b net loss (for a margin of -20%) on sales rising 13.5% y-y to KRW36.9b.

(Continued on the next page)

Cosmax 3Q25 review

(KRWb)	3Q25	2Q25	Chg (% q-q)	3Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	585.6	623.6	-6.1	529.8	10.5	593.0	-1.2	588.8	-0.5
Operating profit	42.7	60.8	-29.7	43.4	-1.6	56.7	-24.6	55.3	-22.7
Pre-tax profit	40.0	26.4	51.6	22.6	77.3	47.1	-15.1	47.3	-15.4
Net profit	9.0	20.9	-57.2	21.1	-57.5	34.8	-74.3	30.0	-70.2
Margins (%)									
Operating profit	7.3	9.8		8.2		9.6		9.4	
Pre-tax profit	6.8	4.2		4.3		7.9		8.0	
Net profit	1.5	3.4		4.0		5.9		5.1	

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW235,000	50.9%
Current price	KRW155,700	
Market cap	KRW1.8t/USD1.2b	
Shares (float)	11,349,509 (72.2%)	
52-week high/low	KRW282,000/KRW128,700	
Avg daily trading value (60-day)	KRW24.7b/ USD16.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Cosmax (%)	-23.9	-20.4	11.4
Vs Kospi (%pts)	-33.1	-50.0	-31.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	235,000	272,000	-13.6%
2025E EPS	6,200	6,200	0.0%
2026E EPS	16,676	16,676	0.0%

SAMSUNG vs THE STREET

No of estimates	19
Target price	287,053
Recommendation	4.0

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

Since it opened a sales office in California in Jul 2024, it has added new clients, but not as many as previously being expected. We do not believe the US subsidiary will turn to an operating profit in 4Q.

Southeast Asian subsidiaries—sales growth slowing and profitability weakening: The firm's Indonesian subsidiary saw sales decline 33.4% y-y to KRW21.5b, and recorded a KRW600m net profit (down 93.8% y-y; for a net margin of 2.8% vs 30% in 3Q24) due to stiffer price competition between local brands. Its subsidiary in Thailand also suffered profitability deterioration amid price competition, posting a net profit of KRW800m (down 70.4% y-y; for a net margin of 5.3%) on sales rising 36.9% y-y to KRW15.2b.

Cutting target price by 14%: On top of the deterioration in operating performances, the firm recognized a KRW10.6b one-off tax (underpaid taxes over 2019-2024, found by a regular tax audit). All in all, 3Q was tough for the firm. Reflecting our earnings estimate cut, we revise down our target price for the firm to KRW235,000 (applying our target P/E multiple of 15.5x to our 12-month forward EPS forecast of KRW15,191).

Cosmax: Results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	2023	2024	2025E	2026E
Sales	526.8	551.5	529.8	558.0	588.6	623.6	585.6	588.9	1,777.5	2,166.1	2,379.1	2,628.5
Korea headquarters (parent)	315.4	348.2	346.3	346.3	362.8	420.5	383.5	379.2	1,057.5	1,356.2	1,546.0	1,716.1
China entities	157.4	147.6	114.4	155.0	162.7	148.6	140.0	150.8	547.4	574.4	594.5	650.4
Shanghai	107.6	97.5	72.0	95.3	109.0	108.6	91.0	96.3	399.7	372.4	404.9	449.4
Guangzhou	46.8	49.5	39.7	48.7	48.5	41.1	45.5	54.5	140.6	184.7	189.6	201.0
US entity	38.8	36.0	32.5	29.8	28.7	30.0	36.9	37.3	139.9	137.1	132.9	135.5
Indonesia entity	24.1	25.4	32.3	31.4	29.6	20.9	21.5	23.9	85.5	113.2	95.9	97.8
Thailand entity	9.5	10.3	11.1	12.6	23.9	23.1	15.2	15.8	25.5	43.5	78.0	102.2
Operating profit	45.5	46.7	43.4	39.8	51.3	60.8	42.7	33.6	115.7	175.4	188.5	239.2
Korea headquarters (parent)	30.1	34.5	39.5	34.6	34.3	49.9	34.3	28.4	86.8	138.7	146.9	156.2
Overseas entities and adjustment	15.4	12.2	3.9	5.2	17.0	10.9	8.4	5.2	28.9	36.7	41.6	83.0
Net profit (controlling)	19.2	33.6	21.1	11.9	8.1	20.9	9.0	14.2	57.1	85.8	70.4	189.3
Korea headquarters (parent)	29.0	29.9	17.1	30.7	16.5	25.7	27.6	23.9	18.2	106.7	93.7	139.0
China entities	5.8	-1.1	-7.4	1.3	-4.9	-0.3	-1.7	-2.9	19.7	-1.4	26.0	44.8
Shanghai	5.1	3.4	-3.1	-2.1	7.2	5.3	3.8	1.0	18.7	3.3	17.3	32.4
Guangzhou	6.6	2.2	3.1	-5.6	3.9	1.7	2.0	1.1	15.1	6.3	8.7	12.5
US entity	-13.8	-9.6	-9.2	-14.7	-11.7	-20.4	-7.4	-5.6	-50.0	-47.3	-45.1	-13.6
Indonesia entity	2.3	2.5	9.7	-1.7	2.7	2.4	0.6	1.2	5.6	12.8	6.9	11.9
Thailand entity	-0.8	0.1	2.7	2.8	2.1	2.2	0.8	1.3	-2.4	4.8	6.4	13.7
Margins (%)												
Operating profit	8.6	8.5	8.2	7.1	8.7	9.8	7.3	5.7	6.5	8.1	7.9	9.1
Korea headquarters (parent)	9.5	9.9	11.4	10.0	9.5	11.9	8.9	7.5	8.2	10.2	9.5	9.1
Overseas entities and adjustment	7.3	6.0	2.1	2.5	7.6	5.4	4.2	2.5	4.0	4.5	5.0	9.1
Net profit (controlling)	3.7	6.1	4.0	2.1	1.4	3.4	1.5	2.4	3.2	4.0	3.0	7.2
Korea headquarters (parent)	9.2	8.6	4.9	8.9	4.5	6.1	7.2	6.3	1.7	7.9	6.1	8.1
China entities	3.7	-0.7	-6.5	0.8	-3.0	-0.2	-1.2	-2.0	3.6	-0.2	4.4	6.9
Shanghai	4.8	3.5	-4.3	-2.2	6.6	4.9	4.2	1.0	4.7	0.9	4.3	7.2
Guangzhou	14.1	4.4	7.8	-11.5	8.0	4.1	4.4	2.0	10.7	3.4	4.6	6.2
US entity	-35.6	-26.7	-28.3	-49.3	-40.8	-68.0	-20.1	-15.0	-35.7	-34.5	-33.9	-10.0
Indonesia entity	9.5	9.8	30.0	-5.4	9.1	11.5	2.8	5.0	6.5	11.3	7.2	12.2
Thailand entity	-8.4	1.0	24.3	22.2	8.8	9.5	5.3	8.0	-9.3	11.0	8.2	13.4
Growth (% y-y)												
Sales	30.6	15.1	15.6	27.8	11.7	13.1	10.5	5.5	11.1	21.9	9.8	10.5
Korea headquarters (parent)	29.6	25.1	20.2	39.7	15.0	20.8	10.7	9.5	23.8	28.2	14.0	11.0
China entities	28.6	-4.0	-7.5	5.1	3.4	0.7	22.4	-2.7	-1.7	4.9	3.5	9.4
Shanghai	17.6	-12.9	-15.8	-14.0	1.3	11.4	26.4	1.0	-7.5	-6.8	8.7	11.0
Guangzhou	57.6	23.7	7.6	43.2	3.6	-17.0	14.6	12.0	18.9	31.4	2.7	6.0
US entity	43.2	-5.6	-11.8	-21.3	-26.0	-16.7	13.5	25.0	-14.6	-2.0	-3.1	2.0
Indonesia entity	26.2	23.1	38.8	39.6	22.8	-17.7	-33.4	-24.0	28.0	32.4	-15.3	2.0
Thailand entity	86.3	51.8	69.1	77.5	151.6	124.3	36.9	25.0	31.5	70.3	79.2	31.1
Operating profit	229.1	1.4	30.4	76.8	13.0	30.2	-1.6	-15.6	117.9	51.6	7.5	26.9
Korea headquarters (parent)	130.7	13.6	52.9	97.6	14.0	44.5	-13.2	-17.8	102.5	59.8	5.9	6.3
Overseas entities and adjustment	1,877.7	-22.2	-47.6	4.0	10.9	-10.4	115.4	-0.8	182.1	26.9	13.3	99.8

Source: Cosmax, Samsung Securities estimates

Cosmax: Target-price calculation

(KRW)	
12-month forward EPS (A=B*D+C*(1-D))	15,191
2025E (B)	6,200
2026E (C)	16,676
2025 weighting* (D)	14.20%
Target P/E** (12-month forward, x) (E)	15.5
Target price (F=A*E)	235,000
Last price* (G)	189,500
Upside (H=F/G-1)	24.00%

Note: *As of Nov 10, 2025
** Average trailing P/E at peer overseas ODM companies
Source: Bloomberg, FnGuide, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**1,777**	**2,166**	**2,379**	**2,629**	**2,907**
Cost of goods sold	1,484	1,748	1,942	2,111	2,334
Gross profit	**294**	**418**	**437**	**518**	**573**
Gross margin (%)	16.5	19.3	18.4	19.7	19.7
SG&A expenses	178	243	249	268	296
Operating profit	**116**	**175**	**189**	**250**	**276**
Operating margin (%)	6.5	8.1	7.9	9.5	9.5
Non-operating gains (losses)	**-31**	**-38**	**-41**	**-52**	**-66**
Financial profit	21	47	26	31	32
Financial costs	44	68	67	83	98
Equity-method gains (losses)	-2	-0	0	0	0
Other	-6	-17	0	0	-0
Pre-tax profit	**84**	**138**	**147**	**198**	**211**
Taxes	46	49	90	7	9
Effective tax rate (%)	55.1	35.8	61.2	3.6	4.4
Profit from continuing operations	38	88	57	190	201
Profit from discontinued operations	0	0	0	0	0
Net profit	**38**	**88**	**57**	**190**	**201**
Net margin (%)	2.1	4.1	2.4	7.2	6.9
Net profit (controlling interests)	57	86	70	189	200
Net profit (non-controlling interests)	-19	3	-13	1	1
EBITDA	175	244	287	358	395
EBITDA margin (%)	9.9	11.3	12.1	13.6	13.6
EPS (parent-based) (KRW)	5,034	7,560	6,200	16,676	17,620
EPS (consolidated) (KRW)	3,331	7,790	5,034	16,772	17,740
Adjusted EPS (KRW)*	5,034	7,560	6,200	16,676	17,620

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**822**	**943**	**968**	**1,153**	**1,387**
Cash & equivalents	257	256	198	307	452
Accounts receivable	272	349	396	445	499
Inventories	218	257	293	318	352
Other current assets	75	80	81	83	85
Fixed assets	**735**	**991**	**1,153**	**1,254**	**1,364**
Investment assets	82	56	1	1	1
Tangible assets	547	778	934	1,028	1,130
Intangible assets	54	63	69	76	84
Other long-term assets	53	94	149	149	149
Total assets	**1,557**	**1,934**	**2,121**	**2,407**	**2,751**
Current liabilities	**989**	**1,114**	**1,239**	**1,384**	**1,592**
Accounts payable	241	231	266	289	320
Short-term debt	403	464	485	492	492
Other current liabilities	346	419	488	603	780
Long-term liabilities	**209**	**311**	**337**	**349**	**349**
Bonds & long-term debt	106	188	189	191	191
Other long-term liabilities	103	123	148	158	158
Total liabilities	**1,199**	**1,425**	**1,576**	**1,733**	**1,941**
Owners of parent equity	**363**	**473**	**511**	**641**	**778**
Capital stock	6	6	6	6	6
Capital surplus	29	28	28	28	28
Retained earnings	313	384	421	552	688
Other	15	56	56	56	56
Non-controlling interests' equity	**-4**	**35**	**34**	**32**	**32**
Total equity	**359**	**509**	**545**	**673**	**810**
Net debt	442	615	571	483	338

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**231**	**73**	**151**	**293**	**308**
Net profit	38	88	57	190	201
Non-cash profit and expenses	161	186	215	227	238
Depreciation	56	64	93	103	113
Amortization	4	5	5	5	6
Other	102	117	117	119	119
Changes in A/L from operating activities	79	-127	-47	-51	-57
Cash flow from investments	**-105**	**-160**	**-198**	**-169**	**-138**
Change in tangible assets	-81	-161	-197	-167	-136
Change in financial assets	-17	-2	0	0	0
Other	-6	3	-1	-2	-2
Cash flow from financing	**-39**	**68**	**-11**	**-15**	**-26**
Change in debt	105	166	12	11	0
Change in equity	-258	-0	0	0	0
Dividends	0	-6	n/a	n/a	n/a
Other	114	-93	n/a	n/a	n/a
Change in cash	88	-1	-58	109	144
Cash at beginning of year	169	257	256	198	307
Cash at end of year	257	256	198	307	452
Gross cash flow	**199**	**274**	**272**	**417**	**439**
Free cash flow	**145**	**-92**	**-50**	**122**	**168**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	11.1	21.9	9.8	10.5	10.6
Operating profit	117.9	51.6	7.5	32.5	10.6
Net profit	nm	133.9	-35.4	233.2	5.8
Adjusted EPS**	174.1	50.2	-18.0	169.0	5.7
Per-share data (KRW)					
EPS (parent-based)	5,034	7,560	6,200	16,676	17,620
EPS (consolidated)	3,331	7,790	5,034	16,772	17,740
Adjusted EPS**	5,034	7,560	6,200	16,676	17,620
BVPS	31,952	41,725	45,056	56,536	68,580
DPS (common)	500	2,300	2,870	5,200	5,580
Valuations (x)					
P/E***	25.1	19.7	25.1	9.3	8.8
P/B***	4.0	3.6	3.5	2.8	2.3
EV/EBITDA	10.7	9.6	8.3	6.4	5.4
Ratios (%)					
ROE	12.1	20.5	14.3	32.8	28.2
ROA	2.6	5.1	2.8	8.4	7.8
ROIC	6.8	12.7	6.5	19.7	21.3
Payout ratio	9.9	30.4	46.3	31.2	31.7
Dividend yield (common)	0.4	1.5	1.8	3.3	3.6
Net debt to equity	123.2	120.9	104.7	71.7	41.8
Interest coverage (x)	3.6	3.9	3.8	4.9	5.7

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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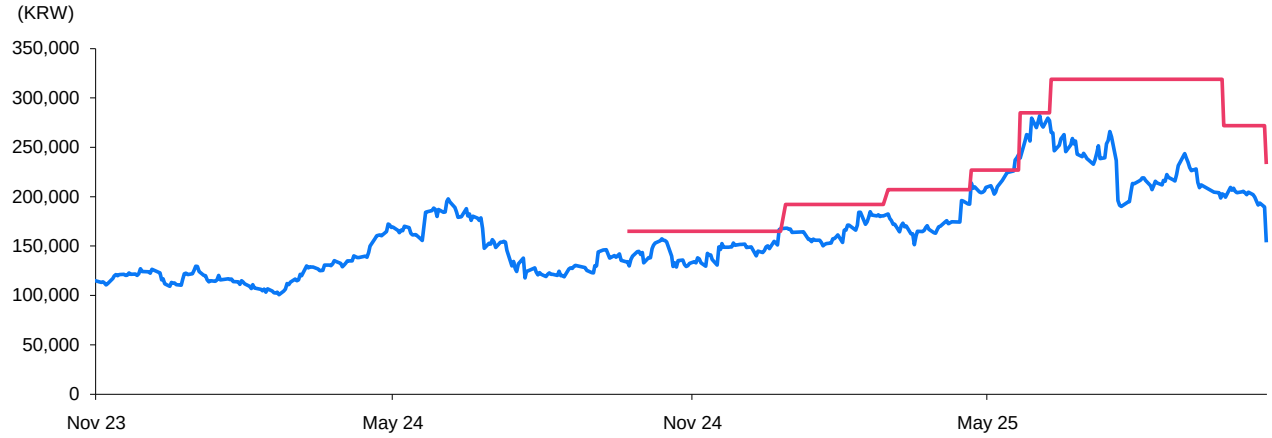
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/10/16	2025/1/20	3/24	5/14	6/13	7/2	10/16	11/11
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	165000	192000	207000	227000	285000	319000	272000	235000
Gap* (average)	-12.63	-13.29	-17.08	-5.16	-5.12	-28.33	-25.91	
(max or min)**	1.52	-3.70	-5.27	6.83	-1.05	-16.61	-22.98	

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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