COMPANY UPDATE

2025. 11. 18

EV/Mobility Team

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SL Corp (005850)

3Q review; breaking out of stagnant phase

- SL Corp reported solid 3Q sales, but operating profit missed consensus due to tariff and labor cost increases. Net profit beat consensus on forex translation gains.
- SL Corp should perform well in 2026, as Hyundai Motor Group Metaplant America's utilization is ramping up, supported by the assembly of Hyundai Motor (HMC)/Kia hybrids, and HMC's third plant in India came online. It should also recover some of tariff costs.
- In 2026, business expansion beyond automotive lamps and E/E parts (eg, E-shift) to robotics should become increasingly visible. Expectations for stronger shareholder returns are also valid.

WHAT'S THE STORY?

3Q operating profit sluggish: SL Corp reported 3Q sales of KRW1.3t (up 0.6% q-q and 9.3% y-y) and an operating profit of KRW68.4b (down 35% q-q but up 0.9% y-y), for an operating margin of 5.2%.

- **Korean factories face margin squeeze:** The firm's Korean factories generated sales of KRW734.1b in 3Q (down 0.8% q-q but up 21.5% y-y) for an operating margin of 5.2%. The quarter had four more business days as the Chuseok holidays fall on different dates each year. Sales were solid, but operating margin tightened due to tariff and labor cost increases. SL Corp concluded its own collective bargaining in 2H, following the completion of collective bargaining at HMC, and reflected labor cost increases accordingly.
- **US factory performs slower:** SL Corp's US factory delivered sales of KRW408.6b (up 4.7% q-q but down 1.9% y-y) and a net profit of KRW5.9b (down 61% y-y) for a net margin of 1.4%. Production was solid at clients, but tariffs weighed on SL Corp's profitability.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW43,000	23.6%
Current price	KRW34,800	
Market cap	KRW1.6t/USD1.1b	
Shares (float)	46,448,520 (36.2%)	
52-week high/low	KRW39,700/KRW27,200	
Avg daily trading value (60-day)	KRW5.0b/ USD3.5m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SL Corp (%)	-4.4	8.8	16.2
Vs Kospi (%pts)	-12.4	-30.1	-31.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	43,000	43,000	0.0%
2025E EPS	7,039	7,253	-3.0%
2026E EPS	8,302	8,057	3.0%

SAMSUNG vs THE STREET

No of estimates	7
Target price	46,000
Recommendation	4.0

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

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,302.6	9.3	0.6	6.4	7.5
Operating profit	68.4	1.0	-35.4	-13.9	-6.6
Pre-tax profit	93.6	41.6	2.1	4.4	3.0
Net profit	70.0	21.3	-0.3	2.7	-11.9
Margins (%)					
Operating profit	5.3				
Pre-tax profit	7.2				
Net profit	5.4				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuations (x)			
P/E	3.8	4.9	4.2
P/B	0.6	0.6	0.6
EV/EBITDA	2.6	2.8	2.1
Div yield (%)	4.0	4.0	6.0
EPS growth (% y-y)	9.8	-11.2	17.9
ROE (%)	17.4	13.4	14.2
Per-share data (KRW)			
EPS	7,930	7,039	8,302
BVPS	49,934	55,671	62,644
DPS	1,200	1,400	2,100

- **Indian factory sales exclude components received from automakers:** SL Corp's Indian factory contributed sales of KRW95.6b (down 4% q-q and 26.3% y-y) and a net profit of KRW8.7b for a net margin of 9.1%, on mix improvements driven by vehicle launches. In 4Q24, the plant in India started excluding from its sales components received from HMC and Kia, eroding quarterly sales by KRW10b. This will likely be felt in results through 3Q. Operationally, both sales and profitability are vibrant, thanks to strong sales of the Kia Syros. HMC's third plant in India is scheduled to come online in Nov 2025.
- **Order intake as of September:** SL Corp took KRW1.2t in new orders over January-September, achieving 82.5% of its annual target (KRW1.47t). Major orders include lamp orders for the HMC Palisade Hybrid, E/E parts orders from Stellantis, and lidar module orders from Hyundai Motor Group (HMG) Robotics LAB.

2026 momentum: SL Corp should benefit from HMC/Kia's model launches and plant startups, while making greater robot-related sales.

- **2026 outlook:** We expect SL Corp to post 2026 sales of KRW5.58t (up 8.0% y-y) and an operating profit of KRW437.1b (up 21.4% y-y), for an operating margin of 7.8%. Sales will likely pick up, on HMG's new model launches and rising global plant utilizations. Recovery of tariff costs should help further improve profitability.
- **HMC/Kia's new-car momentum in 2026:** SL Corp supplies headlamps and rear lamps for the Ioniq 9; BMS and side body control modules for the Kia EV3 and EV4; head lamps for the EV4; and headlamps and rear lamps for the Kia Telluride. For the Palisade Hybrid assembled at the Hyundai Motor Group Metaplant America (HMGMA), it supplies headlamps, grille lamps, and rear lamps.
- **HMGMA ramping up utilization and HMC's Indian plant comes online:** SL Corp's sales should rise, as: 1) HMGMA assembles HMC/Kia hybrids, ramping up utilization (from 0.06m units in 2025 to 0.2m units in 2026); 2) HMC's third plant in India came online in Oct 2025 (0.25m units); and 3) a Kia PBV plant came online in Jun 2025 (0.15m units). SL Corp supplies all of the lamps for HMG's vehicles in North America and India. It should also provide headlamps for vehicles produced at Kia's PBV plant.
- **Sales to Robotics LAB on the rise:** SL Corp supplies Robotics LAB with lidar modules. HMG plans to build domestic data centers, robot manufacturing plants, and foundry plants to expand its robotics ecosystem. SL Corp will have opportunities to grow sales in areas such as robot bodies, LED signal lamps, and lidar modules.
- **Shareholder return program likely to strengthen:** SL Corp has net cash of KRW563b and a debt-to-equity ratio of 54% (as of end-3Q). Largest shareholder has a sizable stake of 62.97% in the company. Dividend payout ratio was just 15% in 2024.

  Separate dividend taxation will apply to high-dividend companies which: 1) maintain a dividend payout ratio of at least 40%; or 2) maintain a dividend payout ratio of at least 25% with an annual dividend increase of at least 5% compared to the three-year average. The maximum tax rate on dividend income from such companies could fall from the current 49.5% to 38.5% or to as low as 27.5%. SL Corp is likely to raise its dividend payout ratio to qualify under the second category.

It is likely to raise its dividend payout ratio by 5%pts each year. A rise in the dividend payout ratio to 20% in 2025 would result in a DPS of KRW1,400 for a dividend yield of 4%. A rise in the ratio to 25% in 2026 would result in a DPS of KRW2,100 for a dividend yield of 6%.

Comprehensive income tax rate

Tax base (KRWm)	Tax rate (%; incl. local tax)
≤14	6.6
14-50	16.5
50-88	26.4
88-150	38.5
150-300	41.8
300-500	44.0
500-1,000	46.2
1,000 <	49.5

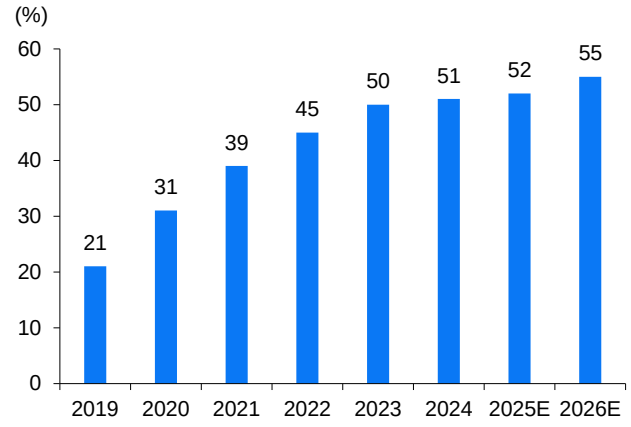
Source: Samsung Securities

Proposal for separate taxation of dividend income

Tax base (KRWm)	Tax rate (%; incl. local tax)
≤20	15.4
20-300	22
300 <	38.5

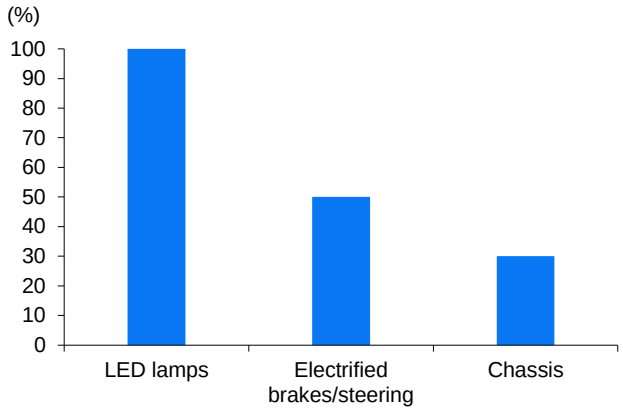
Source: Samsung Securities

SL Corp: LED lamp sales as portion of total lamp sales



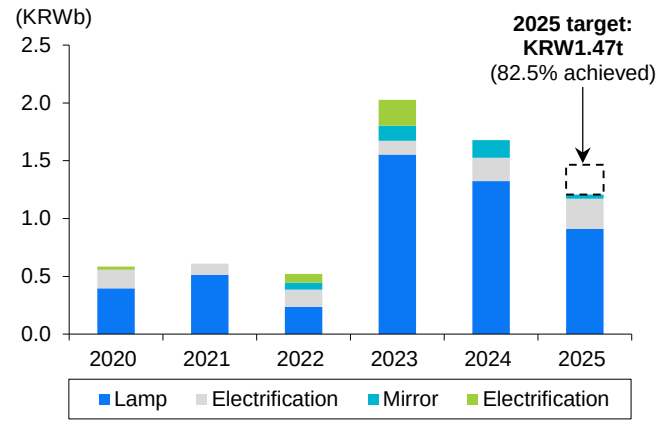
Source: Company data, Samsung Securities

SL Corp: Changes in ASPs for main products



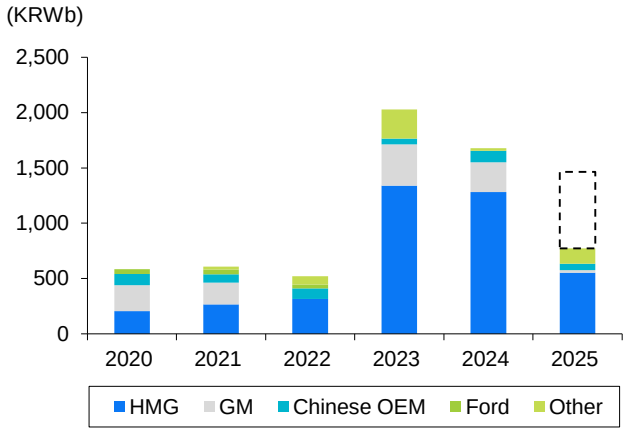
Source: Company data, Samsung Securities estimates

SL Corp: Orders taken, by product



Note: 2025 are ytd figures (Jan-Sep basis)
Source: Company data, Samsung Securities

SL Corp: Orders taken, by client



Note: 2025 are ytd figures (Jan-Sep basis)
Source: Company data, Samsung Securities

SL Corp: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (average)	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	1,234	1,295	1,303	1,341	1,310	1,367	1,346	1,563	4,973	5,172	5,586	6,033
Chg (% y-y)	-1.0	-0.3	9.3	8.4	6.2	5.6	3.3	16.6	2.8	4.0	8.0	8.0
Lamp	943	1,043	1,080	1,014	1,007	1,085	1,048	1,184	3,961	4,080	4,324	4,584
Chassis	173	134	163	154	176	160	173	146	543	624	655	688
Other	118	117	117	116	127	122	125	233	470	468	606	761
Gross profit	192	180	150	159	225	213	156	179	689	680	772	850
Operating profit	119	106	68	67	148	136	70	84	395	360	437	484
Chg (% y-y)	-14.1	-28.3	0.9	63.2	23.9	28.1	2.2	25.7	2.3	-8.8	21.4	10.7
Equity method profit	3.8	5.0	2.6	7.9	6.6	8.2	4.7	2.6	16.8	19.3	22.2	25.5
Before tax profit	137	92	94	123	165	137	79	144	487	445	524	574
Net profit	104	70	70	92	125	103	59	109	382	336	396	434
Chg (% y-y)	-14.3	-43.3	21.3	15.7	20.1	47.1	-15.3	18.5	9.4	-12.1	17.9	9.5
Controlling profit	100	69	68	89	122	101	58	106	368	327	386	422
Chg (% y-y)	-14.2	-41.7	21.6	16.4	21.7	45.2	-15.5	18.2	9.8	-11.2	17.9	9.5
Margins (%)												
Gross profit	15.6	13.9	11.5	11.8	17.1	15.5	11.6	11.4	13.8	13.2	13.8	14.1
Operating profit	9.7	8.2	5.2	5.0	11.3	9.9	5.2	5.4	7.9	7.0	7.8	8.0
Before tax profit	11.1	7.1	7.2	9.1	12.6	10.0	5.8	9.2	9.8	8.6	9.4	9.5
Net profit	8.4	5.4	5.4	6.8	9.5	7.6	4.4	6.9	7.7	6.5	7.1	7.2

Source: Company data, Samsung Securities estimates

Global lamp makers: Valuations

(USDm)	Koito	Valeo	Stanley	Forvia	SL Corp
Market cap	4,459	3,563	2,969	2,545	1,106
Revenue	5,883	24,507	3,240	30,766	3,697
Operating profit	272	1,184	300	1,684.96	283
Operating margin (%)	4.6	4.8	9.3	5.5	7.6
Net profit	191	529	208	271	244
Net margin (%)	3.2	2.2	6.4	0.9	6.6
2026 P/E	**21.1**	**6.8**	**13.0**	**7.8**	**4.6**
2026 P/B	**1.0**	**0.7**	**0.9**	**0.5**	**0.6**

Source: Bloomberg, Samsung Securities

Global lamp makers, by market-share ranking

	Volume ('000 units)	M/S (%)	Note
Koito	14,958	16.9	
Valeo	11,355	12.8	
Marelli	10,129	11.4	
Forvia	7,040	8	Acquired Hella
Stanley	6,395	7.2	
SL Corporation	4,937	5.6	
Others	33,716	38.1	
Total	**88,530**	**100**	

Source: Company data, Samsung Securities

HMC: Grandeur (center grille lamps)

Source: Media, Samsung Securities

Kia: EV9 (center grille lamps)

Source: Media, Samsung Securities

HMC: Sonata F/L (center grille lamps)

Source: Media, Samsung Securities

HMC: Kona (center grille lamps)

Source: Media, Samsung Securities

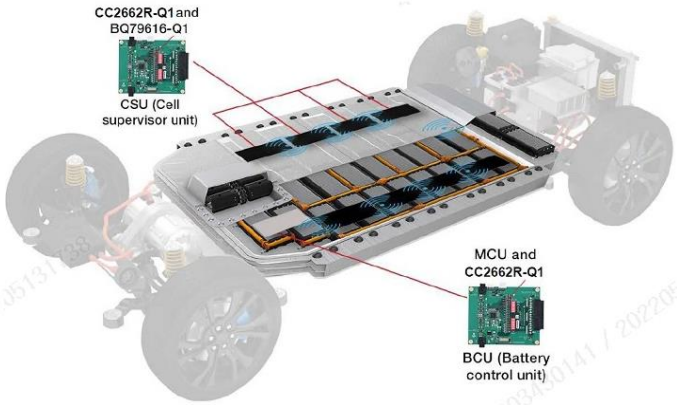
Key product: Mood lights in Benz, VW

Source: Media, Samsung Securities

Key product: Mood lights in HMC, Kia

Source: Media, Samsung Securities

Battery management system (BMS)



Source: TI, Samsung Securities

Side body control module (SBCM)

Source: Company data, Samsung Securities

Dal-e delivery robot

Source: Robotics LAB

Boston Dynamics: Stretch

Source: Company data

Boston Dynamics: Spot

Source: Company data

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**4,839**	**4,973**	**5,172**	**5,586**	**6,033**
Cost of goods sold	4,200	4,285	4,492	4,814	5,183
Gross profit	**639**	**689**	**680**	**772**	**850**
Gross margin (%)	13.2	13.8	13.2	13.8	14.1
SG&A expenses	253	294	320	334	366
Operating profit	**386**	**395**	**360**	**437**	**484**
Operating margin (%)	8.0	7.9	7.0	7.8	8.0
Non-operating gains (losses)	**43**	**92**	**84**	**87**	**91**
Financial profit	24	33	38	48	62
Financial costs	26	21	16	15	15
Equity-method gains (losses)	18	17	19	22	26
Other	26	63	44	32	18
Pre-tax profit	**429**	**487**	**445**	**524**	**574**
Taxes	80	105	109	128	141
Effective tax rate (%)	18.6	21.6	24.5	24.5	24.5
Profit from continuing operations	349	382	336	396	434
Profit from discontinued operations	0	0	0	0	0
Net profit	**349**	**382**	**336**	**396**	**434**
Net margin (%)	7.2	7.7	6.5	7.1	7.2
Net profit (controlling interests)	336	368	327	386	422
Net profit (non-controlling interests)	14	14	9	11	12
EBITDA	539	559	539	612	653
EBITDA margin (%)	11.1	11.2	10.4	11.0	10.8
EPS (parent-based) (KRW)	7,223	7,930	7,039	8,302	9,094
EPS (consolidated) (KRW)	7,519	8,223	7,231	8,529	9,342
Adjusted EPS (KRW)*	7,223	7,930	7,039	8,302	9,094

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,071**	**2,346**	**2,551**	**2,966**	**3,396**
Cash & equivalents	314	348	486	760	1,039
Accounts receivable	901	960	998	1,078	1,164
Inventories	375	416	433	467	505
Other current assets	481	622	634	660	688
Fixed assets	**1,165**	**1,353**	**1,421**	**1,419**	**1,414**
Investment assets	236	233	240	253	267
Tangible assets	748	861	923	909	897
Intangible assets	41	37	37	36	28
Other long-term assets	140	221	221	221	221
Total assets	**3,236**	**3,699**	**3,972**	**4,385**	**4,810**
Current liabilities	**1,116**	**1,142**	**1,136**	**1,205**	**1,279**
Accounts payable	515	511	531	573	619
Short-term debt	319	275	275	275	275
Other current liabilities	282	357	330	356	385
Long-term liabilities	**111**	**159**	**166**	**178**	**192**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	111	159	166	178	192
Total liabilities	**1,227**	**1,302**	**1,301**	**1,383**	**1,471**
Owners of parent equity	**1,928**	**2,300**	**2,564**	**2,885**	**3,211**
Capital stock	23	23	23	23	23
Capital surplus	460	460	460	460	460
Retained earnings	1,470	1,783	2,055	2,376	2,702
Other	-25	34	26	26	26
Non-controlling interests' equity	**81**	**97**	**106**	**117**	**128**
Total equity	**2,009**	**2,397**	**2,670**	**3,002**	**3,339**
Net debt	50	-24	-201	-475	-754

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**432**	**482**	**467**	**490**	**514**
Net profit	349	382	336	396	434
Non-cash profit and expenses	275	300	221	223	212
Depreciation	142	153	168	164	162
Amortization	11	11	10	10	8
Other	121	136	43	48	43
Changes in A/L from operating activities	-111	-122	-28	-59	-64
Cash flow from investments	**-270**	**-334**	**-240**	**-160**	**-150**
Change in tangible assets	-157	-214	-230	-150	-150
Change in financial assets	0	0	0	0	0
Other	-113	-120	-10	-10	0
Cash flow from financing	**-114**	**-127**	**-95**	**-64**	**-96**
Change in debt	-71	-39	-40	0	0
Change in equity	0	0	0	0	0
Dividends	-28	-46	-55	-64	-97
Other	-16	-41	-0	-0	0
Change in cash	48	35	137	275	279
Cash at beginning of year	266	314	348	486	760
Cash at end of year	314	348	486	760	1,039
Gross cash flow	**624**	**681**	**557**	**619**	**646**
Free cash flow	**271**	**244**	**237**	**340**	**364**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	15.9	2.8	4.0	8.0	8.0
Operating profit	95.1	2.3	-8.8	21.4	10.7
Net profit	110.5	9.4	-12.1	17.9	9.5
Adjusted EPS**	119.6	9.8	-11.2	17.9	9.5
Per-share data (KRW)					
EPS (parent-based)	7,223	7,930	7,039	8,302	9,094
EPS (consolidated)	7,519	8,223	7,231	8,529	9,342
Adjusted EPS**	7,223	7,930	7,039	8,302	9,094
BVPS	41,872	49,934	55,671	62,644	69,716
DPS (common)	900	1,200	1,400	2,100	2,300
Valuations (x)					
P/E***	4.9	3.8	4.9	4.2	3.8
P/B***	0.9	0.6	0.6	0.6	0.5
EV/EBITDA	3.3	2.6	2.8	2.1	1.5
Ratios (%)					
ROE	18.8	17.4	13.4	14.2	13.9
ROA	11.3	11.0	8.8	9.5	9.4
ROIC	19.3	17.4	13.9	16.3	17.5
Payout ratio	12.4	15.0	19.7	25.1	25.1
Dividend yield (common)	2.5	4.0	4.0	6.0	6.6
Net debt to equity	2.5	-1.0	-7.5	-15.8	-22.6
Interest coverage (x)	15.9	21.7	22.3	28.9	32.0

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

Source: Company data, Samsung Securities estimates

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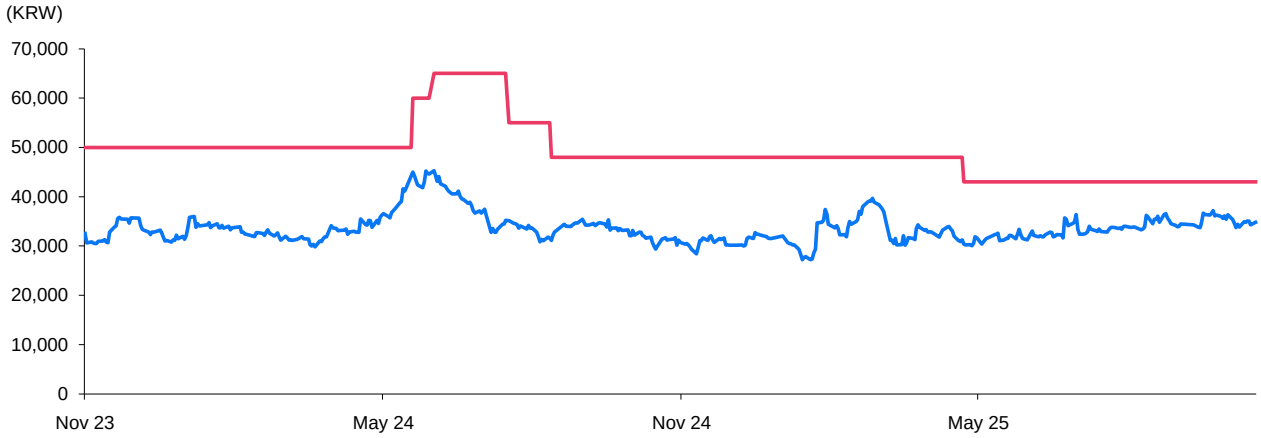
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/7/6	2024/6/18	7/1	8/16	9/11	2025/5/22
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	50000	60000	65000	55000	48000	43000
Gap* (average)	-32.97	-27.26	-41.11	-40.00	-32.28	
(max or min)**	-11.60	-24.67	-32.08	-37.09	-17.29	

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

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

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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