COMPANY UPDATE

2025. 11. 19

Finance/Consumer Goods Team

Hyein Lee
Analyst
hyeining.lee@samsung.com

Scan to go to
Research Center report database

Hwaseung Enterprise (241590)

Earnings to recover from 2026

- Hwaseung Enterprise reported in-line 3Q sales, but its operating profit missed consensus by 98%.
- We, however, still believe that its earnings will grow over the medium to long term, as: 1) demand for Adidas, its key client, remains solid; and 2) orders at Hwaseung should normalize in 1H26, with a key sports event (the 2026 FIFA World Cup) scheduled for June-July.
- We cut our target price for the stock to KRW6,000 (based on 11x P/E) and maintain our BUY rating.

Posts another earnings shock in 3Q: Hwaseung Enterprise reported 3Q sales of KRW355.8b (down 18% y-y; in line with consensus) and an operating profit of KRW0.14b (down 99% y-y; missing consensus by 98%). The plunge in the latter (vs the former) owed to: 1) a fall in utilization rate (due to a decline in orders from Adidas, its key client) and the resultant hike in fixed costs; and 2) a fall in productivity due to product-mix diversification.

Earnings to begin improving when Adidas changes its conservative inventory management strategy: Coming into 3Q, earnings at key domestic OEM players have diverged. While ones with a diversified client base have defended earnings by offsetting falling orders from some brands with increased orders from other brands, the company has suffered due to its heavy exposure to Adidas (and Adidas' conservative inventory management strategy). We, however, forecast a shift in Adidas' strategy from 2Q26, as: 1) demand for Adidas remains solid (at the 3Q conference call, Adidas raised its 2025 sales guidance); and 2) Adidas will expand its product inventory in 1H26 in preparation for the 2026 FIFA World Cup (scheduled for June-July 2026).

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW6,000	22.7%
Current price	**KRW4,890**	
Market cap	KRW296.28b/USD202.2m	
Shares (float)	60,589,276 (31.3%)	
52-week high/low	KRW11,290/KRW4,680	
Avg daily trading value (60-day)	KRW1.1b/ USD0.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hwaseung Enterprise (%)	-13.8	-38.8	-45.4
Vs Kospi (%pts)	-18.2	-59.3	-65.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	6,000	8,000	-25.0%
2025E EPS	-33	71	-146.5%
2026E EPS	331	466	-29.0%

SAMSUNG vs THE STREET

No of estimates	4
Target price	8,750
Recommendation	3.8

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

SUMMARY 3Q RESULTS

(KRWb)	3Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	355.8	-7.9	-8.1	-3.8	1.9
Operating profit	0.1	-99.5	-98.9	-97.9	-98.0
Pre-tax profit	-5.7	nm	nm	nm	nm
Net profit	-4.8	nm	nm	nm	nm
Margins (%)					
Operating profit	0.0				
Pre-tax profit	-1.6				
Net profit	-1.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	15.8	n/a	14.8
P/B	1.0	0.6	0.6
EV/EBITDA	6.8	6.2	5.4
Div yield (%)	0.5	0.9	0.9
EPS growth (% y-y)	nm	nm	nm
ROE (%)	6.4	-0.4	4.0
Per-share data (KRW)			
EPS	546	-33	331
BVPS	8,652	8,074	8,360
DPS	45	45	45

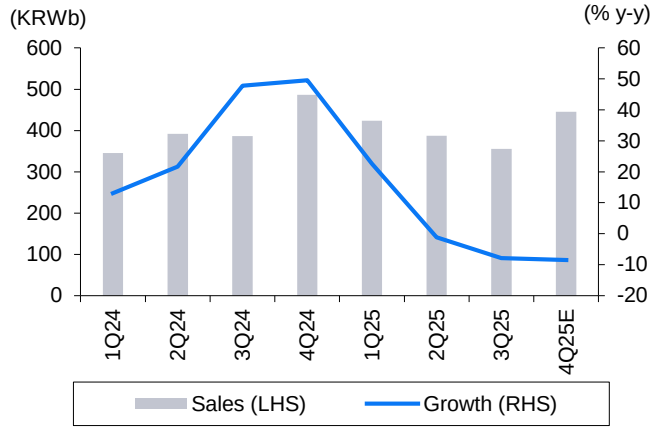
Cutting target price to KRW6,000; maintaining BUY: Reflecting the 3Q weakness, we cut our target price for the stock from KRW8,000 (by applying 11x, a 20% discount to industry peers' 13.5x to reflect the stock's one brand risk, to our average 2026-2027 EPS forecast) to KRW60,000 We, however, maintain our BUY rating on the stock, as we still believe that its earnings will improve over the medium to long term, given: 1) the still-solid earnings growth at Adidas; and 2) the outlook that orders at Hwaseung will normalize from 2Q26 given upcoming sports events (eg, the 2026 FIFA World Cup).

Hwaseung Enterprise: Performance and estimates

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	2024	2025E	2026E
Sales	345	392	386	486	423	387	356	445	1,610	1,612	1,722
Operating profit	5.3	18.8	19.1	39.4	13	9	0.1	20	83	43	64
Net profit	(2)	7	8	21	1	(10)	(5)	13	34	6	29
Margin (%)											
Operating profit	1.5	4.8	5.0	8.1	3.2	2.4	0.0	4.4	5.1	2.6	3.7
Net profit	(0.5)	1.8	2.1	4.3	0.2	(2.6)	(1.4)	2.9	2.1	(0.1)	1.2
Chg (% y-y)											
Sales	13.1	21.7	47.8	49.6	22.6	(1.2)	(7.9)	(8.4)	32.6	0.1	6.9
Operating profit	nm	147.6	nm	392.4	151.9	(50.4)	(99.3)	(50.1)	537.0	(48.5)	51.4
Net profit	nm	nm	nm	nm	nm	nm	nm	(7.5)	nm	nm	nm

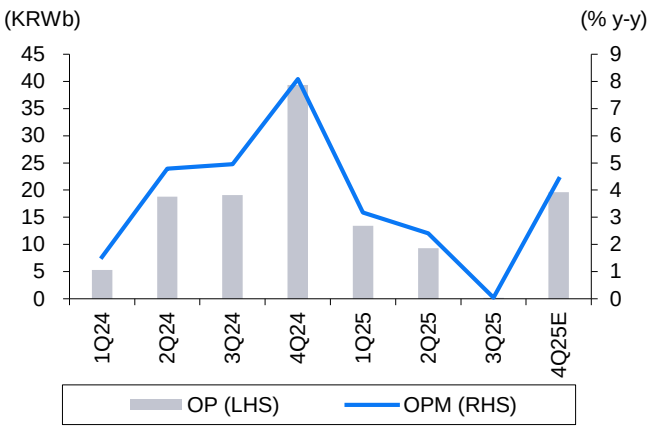
Source: Company data, Samsung Securities estimates

Sales and growth



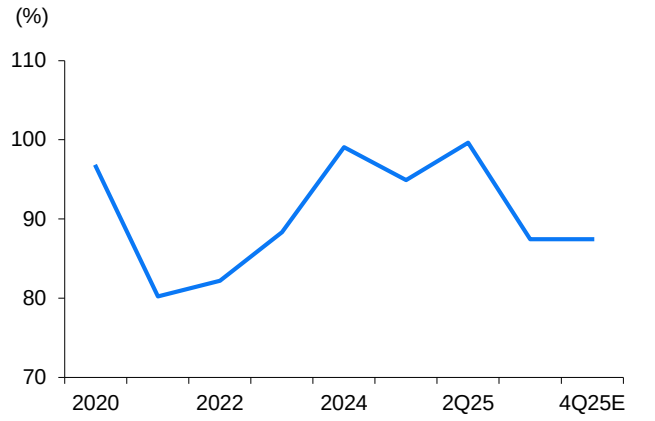
Source: Company data, Samsung Securities estimates

Operating profit and operating margin



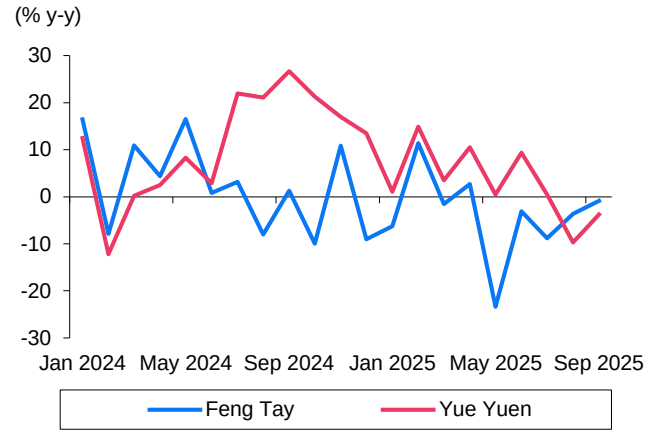
Source: Company data, Samsung Securities estimates

Utilization rate forecasts



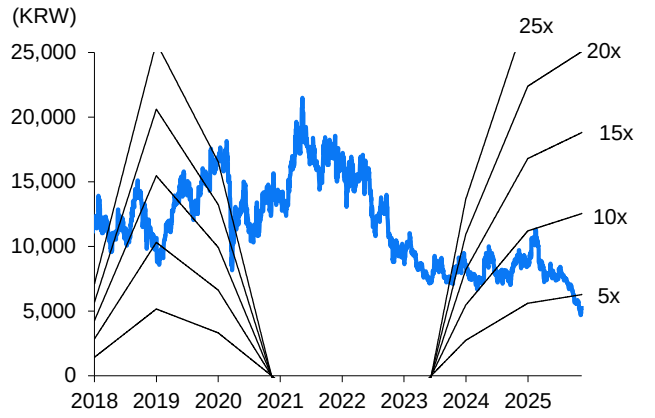
Source: Company data, Samsung Securities

Peers: Monthly sales growth



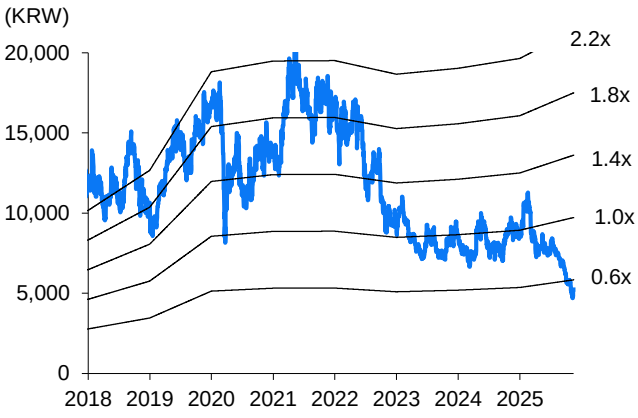
Source: Company data, Samsung Securities

12m forward P/E band



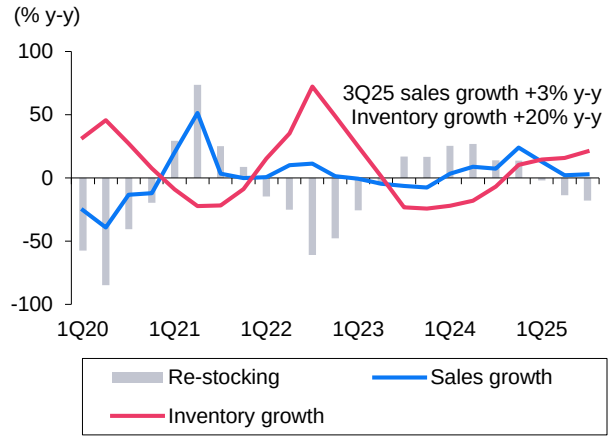
Source: Bloomberg, Samsung Securities

12m forward P/B band



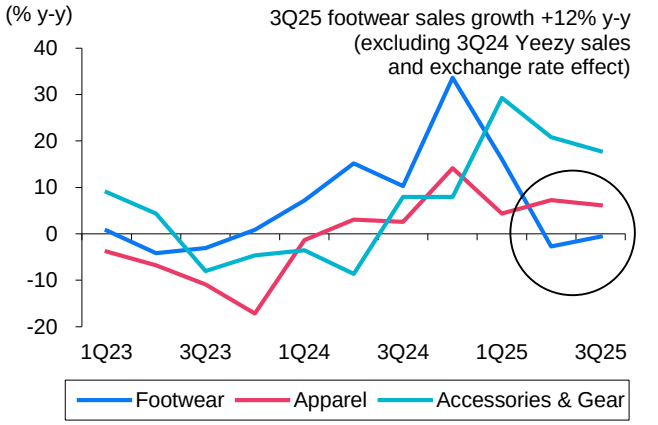
Source: Bloomberg, Samsung Securities

Adidas: Sales, inventory, and re-stocking



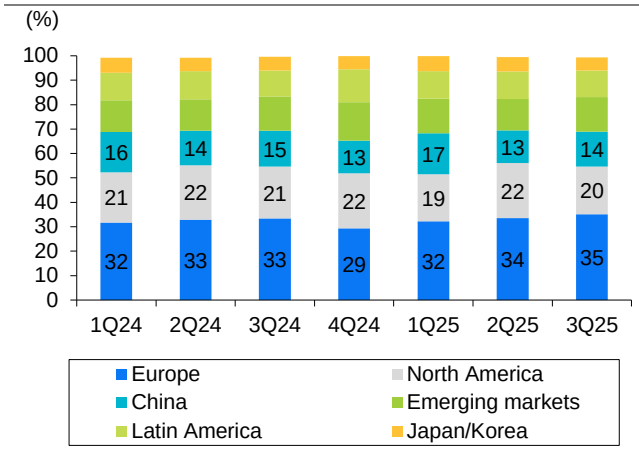
Note: Re-stocking is calculated as sales growth (y-y) – inventory growth (y-y)
Source: Bloomberg, Samsung Securities

Adidas: Total, footwear, apparel sales growth



Source: Company data, Samsung Securities

Sales, by region



Source: Company data, Samsung Securities

Adidas: Guidance and comments

3Q25 sales +3% y-y (1H25 +7%)

3Q25 sales EUR6,630m (+3% y-y, +12% excluding exchange rate effect and 3Q24 Yeezy sales). Adidas delivered results in line with 3Q consensus and maintained solid growth (1H25 sales +14% y-y)
By region: Europe +12% y-y (excluding exchange rate effect and Yeezy sales), China +10%, EMs +13%, Latin America +21%, Japan/Korea 11%, North America +8%; steady growth across all regions

Guidance and comments

Reflecting its resilient performance trajectory, 2025 full year guidance was raised; sales growth was lifted from high single digit growth to +9%, and operating profit was revised up from EUR1.7b-1.8b to EUR2b
The impact of US tariffs on operating profit is estimated at around EUR120m in 2025, less than the prior forecast (EUR200m). The company plans to mitigate the tariff burden through (1) an improved product mix centered on higher-priced items and (2) price increase on key products (eg, Samba's price in US increased from USD90 to USD100)

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**1,214**	**1,610**	**1,612**	**1,722**	**2,004**
Cost of goods sold	1,050	1,388	1,425	1,510	1,748
Gross profit	**163**	**222**	**186**	**212**	**256**
Gross margin (%)	13.5	13.8	11.6	12.3	12.8
SG&A expenses	150	139	144	148	162
Operating profit	**13**	**83**	**43**	**64**	**94**
Operating margin (%)	1.1	5.1	2.6	3.7	4.7
Non-operating gains (losses)	**-32**	**-42**	**-39**	**-40**	**-38**
Financial profit	13	20	13	11	11
Financial costs	40	43	45	45	43
Equity-method gains (losses)	-0	0	0	0	0
Other	-5	-18	-7	-6	-6
Pre-tax profit	**-19**	**41**	**4**	**24**	**56**
Taxes	7	6	5	4	9
Effective tax rate (%)	-35.6	15.8	121.8	15.8	15.8
Profit from continuing operations	-25	34	-1	21	47
Profit from discontinued operations	0	0	0	0	0
Net profit	**-25**	**34**	**-1**	**21**	**47**
Net margin (%)	-2.1	2.1	-0.1	1.2	2.3
Net profit (controlling interests)	-26	33	-2	20	46
Net profit (non-controlling interests)	1	1	1	0	1
EBITDA	84	154	119	132	155
EBITDA margin (%)	6.9	9.6	7.4	7.7	7.8
EPS (parent-based) (KRW)	-434	546	-33	331	758
EPS (consolidated) (KRW)	-417	567	-14	339	775
Adjusted EPS (KRW)*	-434	546	-33	331	758

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**647**	**747**	**650**	**698**	**788**
Cash & equivalents	121	116	72	51	66
Accounts receivable	107	184	168	188	210
Inventories	263	282	258	289	322
Other current assets	155	165	151	170	189
Fixed assets	**714**	**791**	**690**	**653**	**592**
Investment assets	9	10	9	10	11
Tangible assets	565	614	530	496	437
Intangible assets	41	42	39	36	33
Other long-term assets	98	125	112	112	112
Total assets	**1,361**	**1,538**	**1,340**	**1,351**	**1,380**
Current liabilities	**719**	**900**	**775**	**766**	**748**
Accounts payable	145	228	208	233	260
Short-term debt	457	563	463	383	303
Other current liabilities	117	109	103	149	185
Long-term liabilities	**82**	**74**	**58**	**60**	**63**
Bonds & long-term debt	39	26	16	16	16
Other long-term liabilities	43	48	42	44	47
Total liabilities	**801**	**974**	**833**	**826**	**811**
Owners of parent equity	**514**	**524**	**489**	**507**	**550**
Capital stock	30	30	30	30	30
Capital surplus	169	129	130	130	130
Retained earnings	140	200	195	212	255
Other	174	165	134	134	134
Non-controlling interests' equity	**45**	**40**	**18**	**19**	**20**
Total equity	**559**	**564**	**507**	**525**	**569**
Net debt	376	485	419	392	318

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**59**	**81**	**86**	**62**	**80**
Net profit	-25	34	-1	21	47
Non-cash profit and expenses	115	125	120	97	94
Depreciation	67	68	72	64	58
Amortization	4	3	4	3	3
Other	44	53	44	29	33
Changes in A/L from operating activities	8	-42	-4	-28	-30
Cash flow from investments	**-56**	**-41**	**-31**	**-39**	**-10**
Change in tangible assets	-45	-50	-34	-30	0
Change in financial assets	-3	10	7	-9	-10
Other	-8	-1	-4	0	0
Cash flow from financing	**-67**	**-56**	**-92**	**-43**	**-53**
Change in debt	-60	93	-117	-39	-49
Change in equity	-1	-40	1	0	0
Dividends	-3	-3	-3	-3	-3
Other	-3	-106	26	-2	-2
Change in cash	-62	-6	-43	-22	16
Cash at beginning of year	183	121	116	72	51
Cash at end of year	121	116	72	51	66
Gross cash flow	**90**	**159**	**119**	**118**	**141**
Free cash flow	**5**	**29**	**51**	**32**	**70**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-26.6	32.6	0.1	6.9	16.4
Operating profit	-75.5	537.0	-48.5	51.4	45.9
Net profit	nm	nm	nm	nm	128.9
Adjusted EPS**	nm	nm	nm	nm	128.9
Per-share data (KRW)					
EPS (parent-based)	-434	546	-33	331	758
EPS (consolidated)	-417	567	-14	339	775
Adjusted EPS**	-434	546	-33	331	758
BVPS	8,485	8,652	8,074	8,360	9,073
DPS (common)	45	45	45	45	45
Valuations (x)					
P/E***	n/a	15.8	n/a	14.8	6.5
P/B***	1.0	1.0	0.6	0.6	0.5
EV/EBITDA	11.1	6.8	6.2	5.4	4.1
Ratios (%)					
ROE	-5.0	6.4	-0.4	4.0	8.7
ROA	-1.8	2.4	-0.1	1.5	3.4
ROIC	1.8	7.0	-0.9	5.9	8.8
Payout ratio	-10.4	8.2	-137.4	13.6	5.9
Dividend yield (common)	0.5	0.5	0.9	0.9	0.9
Net debt to equity	67.3	86.0	82.6	74.7	55.8
Interest coverage (x)	0.4	2.1	1.1	1.9	3.0

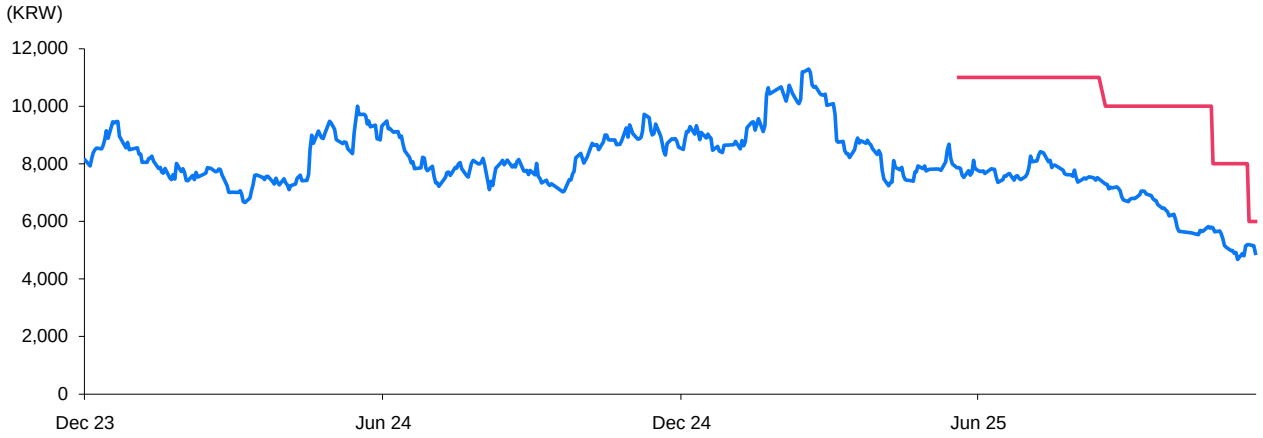
Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Compliance notice

- As of 11/18 2025, the covering analyst(s) did not own any shares, or debt instruments convertible into shares, of any company covered in this report.
- As of 11/18 2025, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.
- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
- This material has not been distributed to institutional investors or other third parties prior to its publication.

Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2025/5/20	8/18	10/23	11/14
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	11000	10000	8000	6000
Gap* (average)	-29.71	-35.00	-35.80	
(max or min)**	-23.45	-27.10	-29.13	

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%)

Global Disclosures & Disclaimers

General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd.. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc

Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA