SECTOR UPDATE

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Samsung Securities

Construction (OVERWEIGHT)

2026 outlook

Separating the wheat from the chaff

Time to be selective given slow-growth phase

The construction sector rallied at its fastest pace ever in 1H25, as nuclear power plant-friendly policies worldwide (especially in the US and Europe) shone a spotlight on Korean builders' nuclear EPC capabilities. Additional support came from: 1) rising expectations of profitability improvements at constructors' domestic housing operations (on the back of stabilizing raw-material costs); and 2) firms' attractive valuations (they were excessively low).

In 2H25, however, the sector's performance deteriorated sharply. While the Kospi gained 25.6% over Jul 1-Nov 27, the construction sector fell 14.5%. Announcements of housing market measures (starting with the Jun 27 housing regulations) and mounting concerns over tougher penalties for industrial accidents dragged down construction stocks. At the same time, corrections for global nuclear power firms, slower-than-anticipated margin improvement at builders, and renewed earnings macro uncertainties drove the sector's relative return (vs the Kospi) to its worst level on record.

Against this backdrop, we predict that sales and operating profit growth at the construction firms under our coverage will prove modest in 2026. Even so, some players should still perform well, thus careful stock picking is advised. The main selection criteria for 2026 should be firms that: 1) can generate meaningfully higher earnings growth; 2) have the capacity to secure orders at a faster pace; and 3) have the ability to enhance their shareholder returns.

Samsung E&A satisfies all of these conditions and is our sector top pick for 2026 due to: 1) the growing recognition of sales relating to the Fadhili project (Saudi Arabia); 2) the energy transition (*eg*, LNG, CCUS, *etc*) and growing non-hydrocarbon orders from affiliates; and 3) the prospects of more shareholder returns (given its sizeable net cash holdings). Our second-preferred stocks are: 1**)** HDC Hyundai Development, which should enjoy long-term earnings momentum (thanks to in-house projects) and which has signaled its commitment to shareholder returns via announcing a recent share buyback; and 2) Hyundai E&C, which should take nuclear plant orders from next year.

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2) Hyundai E&C

3) HDC Hyundai Development

4) GS E&C

5) DL E&C

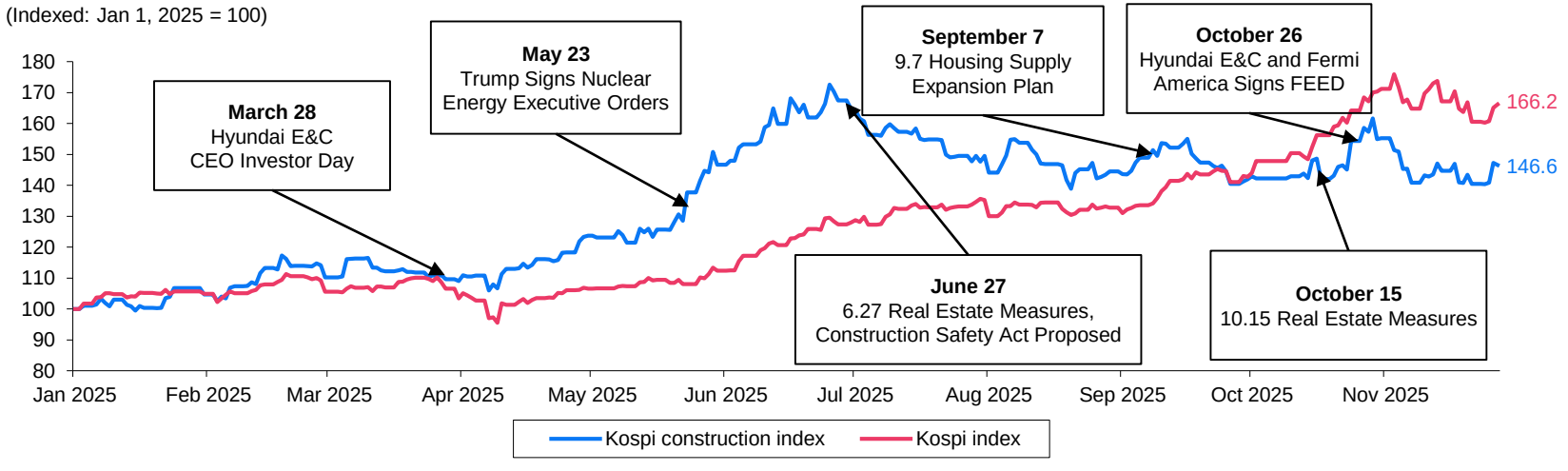
PART 01

Construction industry review

2025 review: A turbulent year for construction stocks

- After Hyundai E&C's CEO Investor Day in March, the Kospi construction index shot up as pro-nuclear energy policies were announced by major economies (*eg*, the US and Europe).
- In 2H, however, construction stocks have lost momentum, weighed down by: 1) concerns over a drop in presales volume following a slew of real-estate measures (by the government); 2) worries over stronger penalties for industrial accidents; and 3) heighted uncertainty over firms' operating results.

Kospi vs construction sector

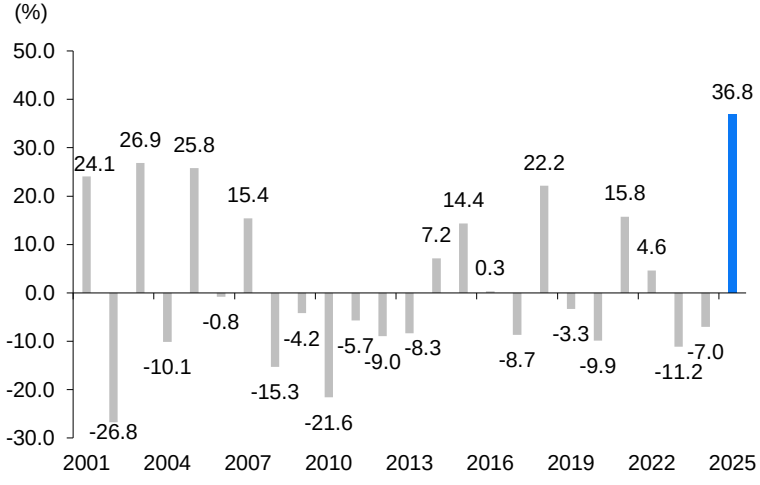


Source: Quantiwise, Samsung Securities

2025 review: Record strength in 1H then correction in 2H

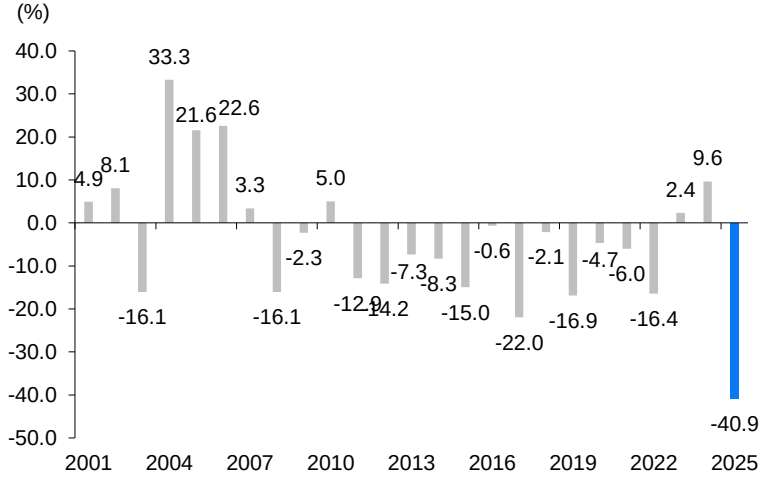
- The construction sector has seen extreme volatility in 2025.
- Relative to the Kospi, it was the best performing sector in 1H and the worst performing sector in 2H.

Construction index vs Kospi, by 1H



Source: Quantiwise, Samsung Securities

Construction index vs Kospi, by 2H

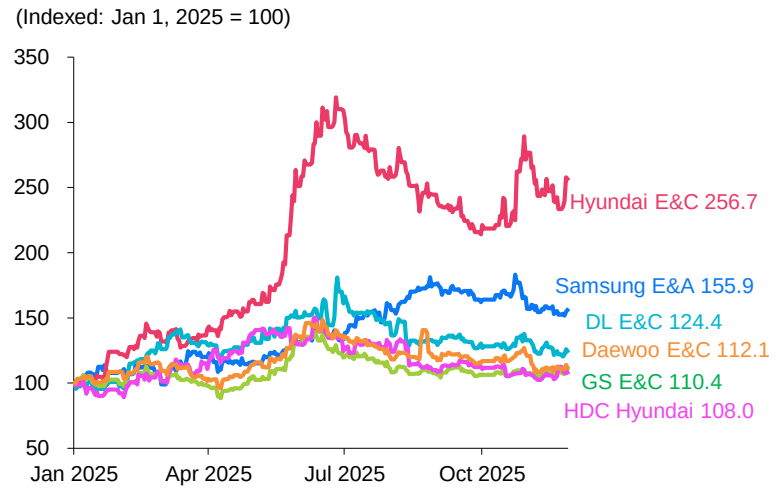


Source: Quantiwise, Samsung Securities

2025 review: 1H and 2H performance disparate

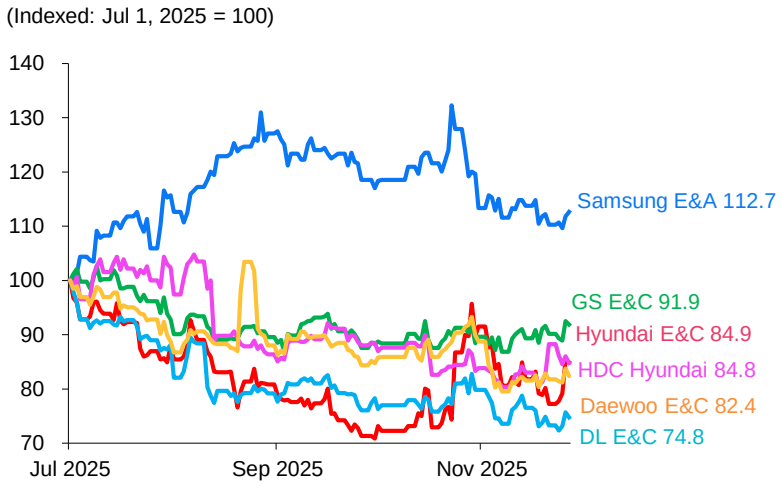
- Hyundai E&C, Daewoo E&C, and DL E&C—all armed with nuclear technology and engineering prowess—staged strong rallies in 1H.
- In 2H, construction stocks have put in sluggish performances, though Samsung E&A has bucked this trend.
- The downturn reflected: 1) policy-driven pressure, including the Yellow Envelop Act and the Construction Safety Special Act, which dampened investor sentiment for housing-related stocks; 2) weakened enthusiasm for nuclear power projects; and 3) growing uncertainty over constructors' earnings outlook.

Construction stocks: Performance ytd



Source: Quantiwise, Samsung Securities

Construction stocks: Performance since Jul 2025



Source: Quantiwise, Samsung Securities

2026 top-picks: Samsung E&A

- The construction sector should see only limited upside vs the Kospi in 2026, making careful stock picking essential. Our main selection criteria for 2026: 1) the ability to generate meaningful earnings growth; 2) the capacity to secure orders at a faster pace; and 3) the potential to enhance shareholder returns.
- Samsung E&A satisfies all of these conditions and is our sector top pick for 2026 given: 1) increasing sales from the Fadhili project (Saudi Arabia); 2) the energy transition (*eg*, LNG, CCUS, *etc*) and growing non-hydrocarbon orders from affiliates; and 3) the prospect of more shareholder returns (given its sizeable net cash holdings).
- Our second-preferred stocks are: 1) HDC Hyundai Development, which should enjoy longer-term earnings momentum (based on in-house projects) and which has signaled its commitment to shareholder returns (via a recent share buyback); and 2) Hyundai E&C, which should take nuclear power plant orders from next year.

Our top picks in the construction industry in 2026

		Earnings momentum	Order momentum	Shareholder returns
Top pick	**Samsung E&A**	• Earnings momentum from Fadhili project	• Ongoing expansion of energy transition-related orders and non-hydrocarbon orders from affiliates	• Potential for greater year-end shareholder returns
Alternative	**Hyundai E&C**	• 4Q earnings to prove volatile, but quarterly earnings to recover in 2026	• Large-scale orders (Bulgaria NPP and Fermi America NPP projects)	• Targeting total shareholder return ratio of 25%
	HDC Hyundai Development	• Revenue recognition from ongoing projects to fuel earnings recovery	• Order backlog of KRW33tn (7-8 years' worth of work based on 2024 sales)	• Recent KRW20bn additional share buyback signals strengthened shareholder return stance

Source: Samsung Securities

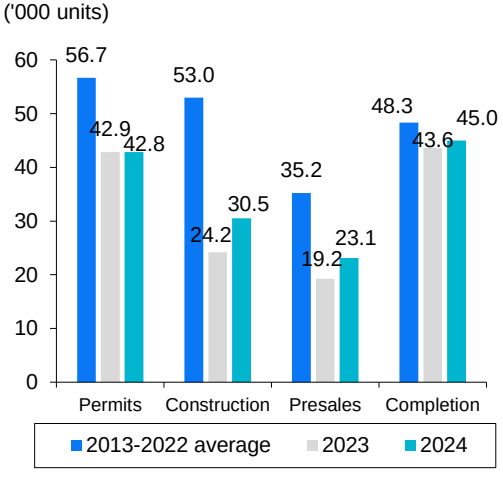
PART
02

Domestic construction

Supply: Housing supply shrinking

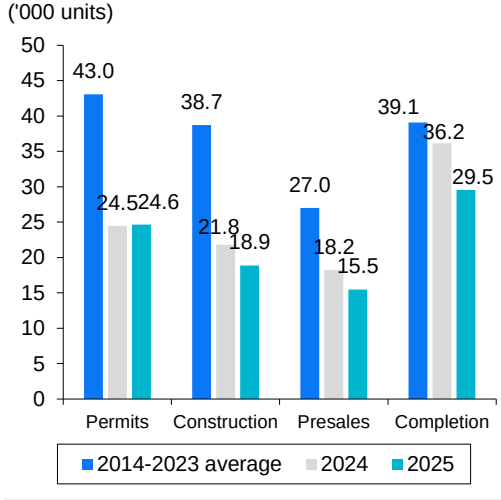
- Housing supply indicators over January-October stayed on a downtrend.
- Housing permits began to fall in 2023, resulting in a drop in housing completions and move-in volume from 2025.
- Housing permits in 2025 remain well below the historical average. Although construction starts and presales volume should both expand this year, they are still below average levels.
- The robust housing completion figure in 2024 owed much to robust permitting activity over 2021-2022. From 2025, a clear reduction in housing completions and move-in volume should emerge.

Housing supply indicators: Annual



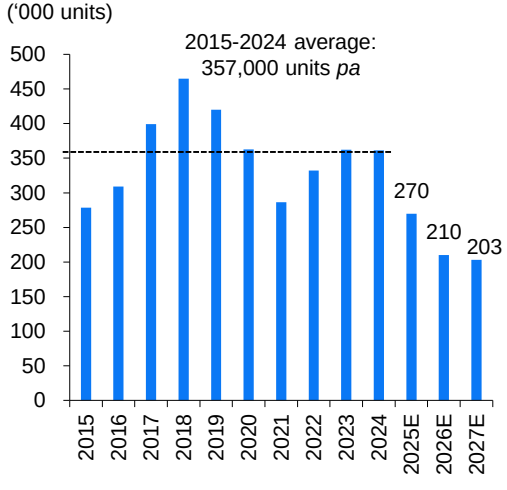
Source: KOSIS, Samsung Securities

Housing supply indicators: Jan-Oct



Source: KOSIS, Samsung Securities

Apartment move-in volume

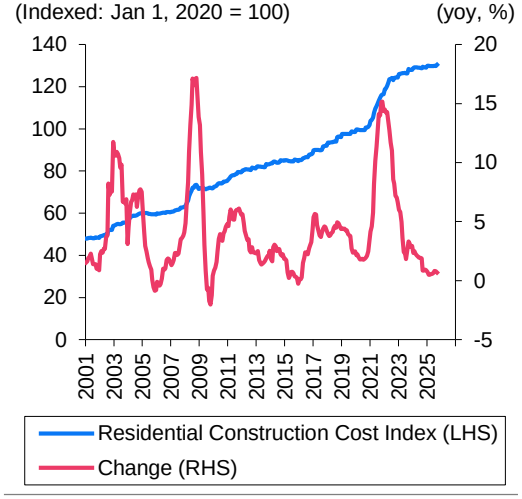


Source: R114, Samsung Securities

Supply: Construction costs stabilizing

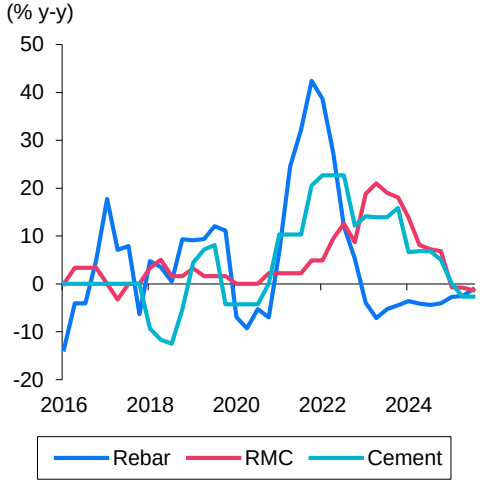
- In Sep 2025, domestic construction costs for residential buildings edged up only 0.6% y-y.
- Such costs began to surge in 2021, hitting a post-2008 peak of +15.2% y-y in Nov 2021. With raw-material prices and wage growth having recently calmed, the pace of construction cost increases has slipped below the historical average.

Residential construction cost index



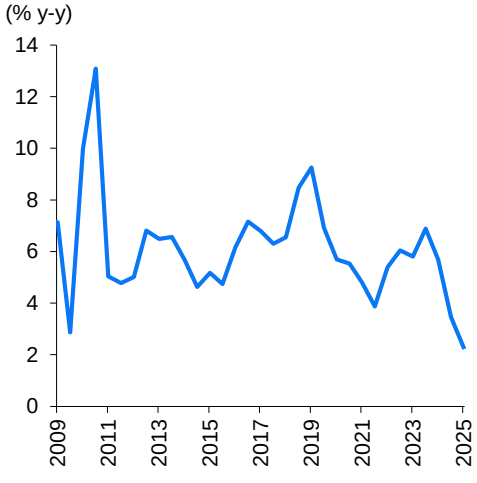
Source: KOSIS, Samsung Securities

Changes in raw-material prices



Source: DL E&C, Samsung Securities

Construction industry: Changes in labor costs

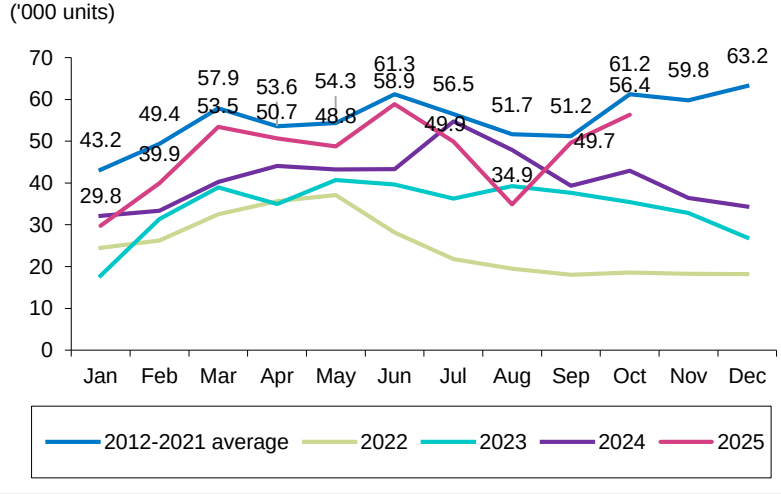


Source: Construction Association of Korea, Samsung Securities

Transaction volume: Tops three-year average (1H basis) in 1H25

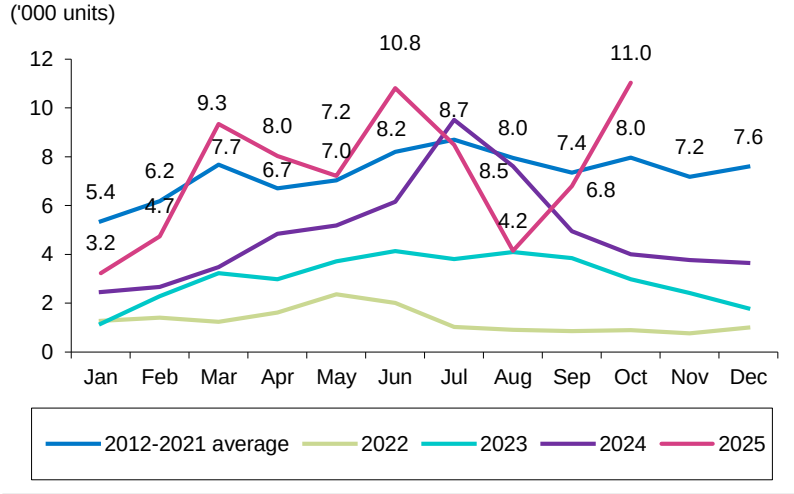
- The apartment transaction volume came to 282,000 units in 1H25, topping the three-year average (1H basis) of 208,000 units.
- But the monthly figure fell sharply after the Jun 27 housing market measures were announced.
- The transaction volume rebounded in September and October, but likely fell from November due to the Oct 15 housing market measures.

Korea: Monthly apartment sales transaction volume



Source: KREB, Samsung Securities

Seoul: Monthly apartment sales transaction volume

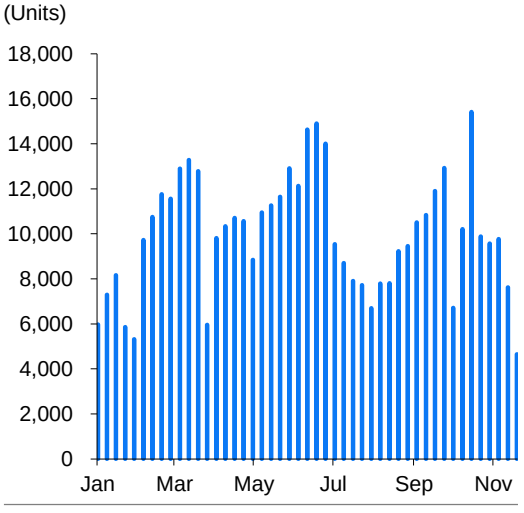


Source: KREB, Samsung Securities

Transaction volume: Declines in 2H25 due to policy headwinds

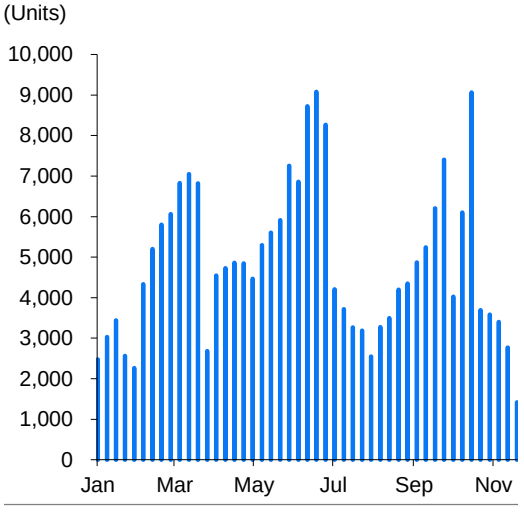
- The weekly apartment transaction volume has plunged since the Oct 15 housing market measures were announced, according to the Ministry of Land, Infrastructure and Transport.
- The figure, which averaged 4,649 units/week before the Oct 15 measures were announced, fell to 1,048 units/week over Nov 17-25.
- The figure plunged in the SMA, from 5,004 units/week before the Oct 15 measures to 1,418/week over Nov 17-25.

Korea: Weekly apartment transaction volume



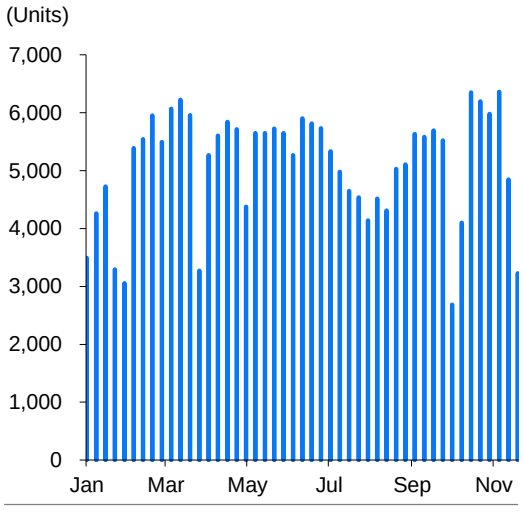
Source: KOSIS, Samsung Securities

SMA: Weekly apartment transaction volume



Source: KOSIS, Samsung Securities

Non-SMA: Weekly apartment transaction volume

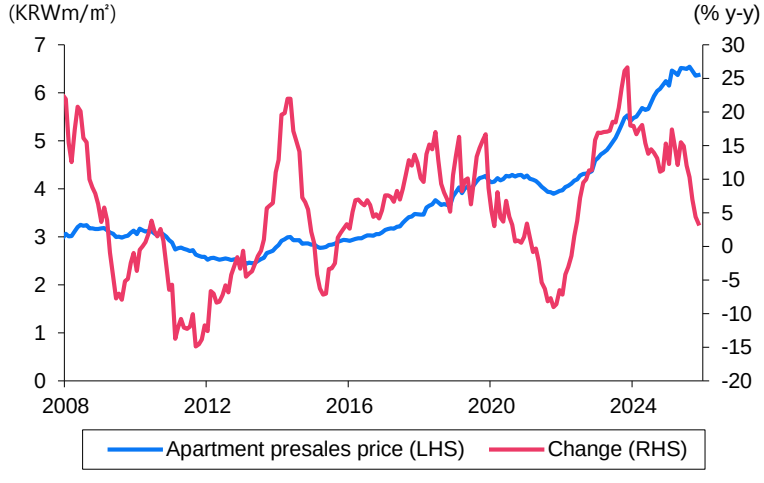


Source: KREB, Samsung Securities

Presales: Prices remain elevated

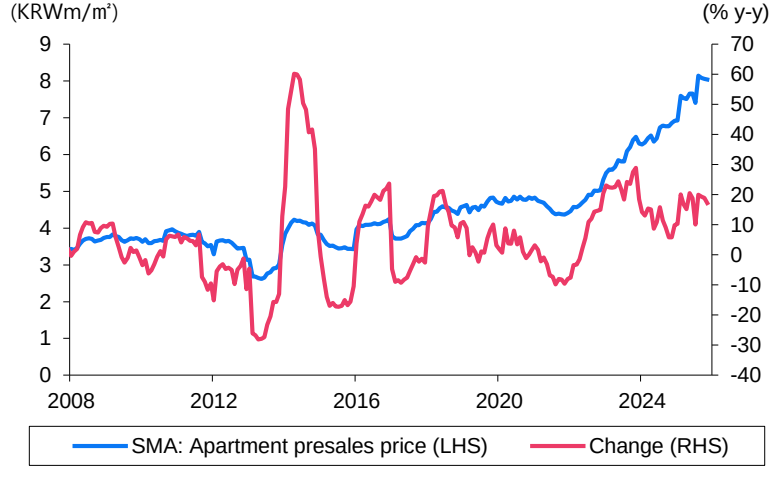
- Apartment presale prices remain high, though the pace of price hikes has eased considerably in 2H25.
- The nationwide average presales price stands at KRW6.42m/m^2 (up 11.1% y-y).
- The SMA average stands at KRW7.69m/m^2 (up 17% y-y).
- Apartment presale prices do not directly impact construction companies.
- But higher prices are positive for constructors, as at higher prices developers (which can realize greater development gains) should be more tolerant of constructors' demands for higher contract prices.

Korea: Apartment presales price (12-month average)



Source: R114, Samsung Securities

SMA: Apartment presales price (12-month average)

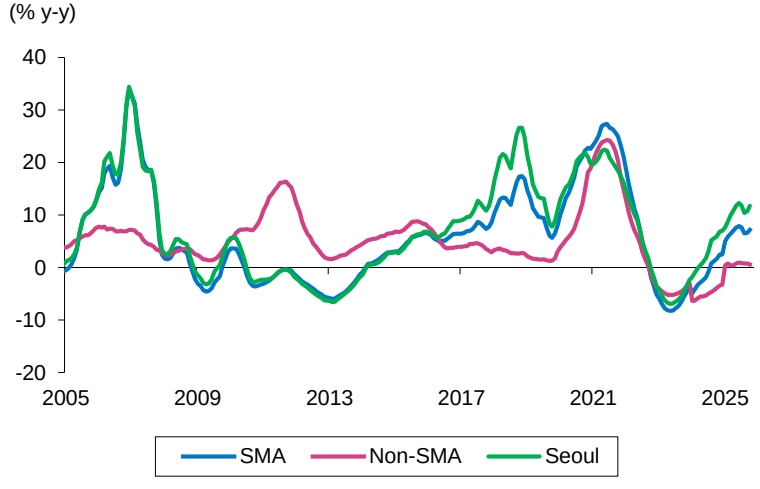


Source: R114, Samsung Securities

Sales price: Continued appreciation despite regulatory tightening

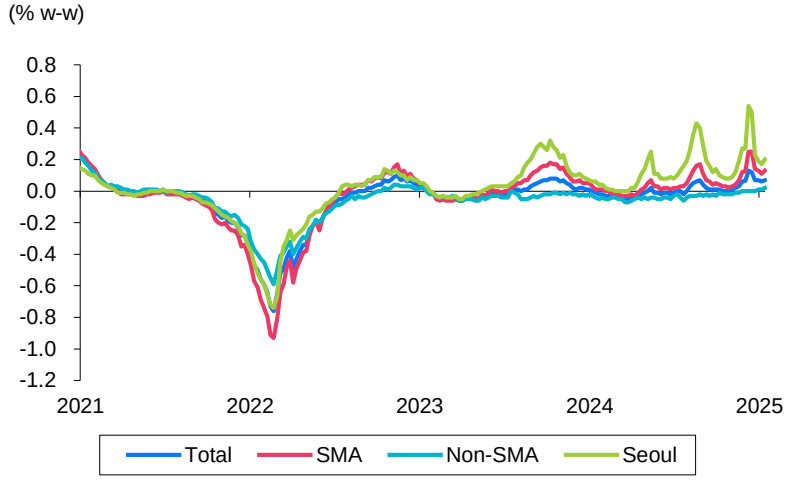
- Apartment prices continue to rise, though the pace of hikes has slowed after successive housing market measures (*eg*, Jun 27 and Oct 15 measures).
- Before the Oct 15 measures, apartment prices in Seoul were rising at a record-high level of 0.54% per week.
- The figure, however, fell to +0.17% following the Oct 15 measures—a modest level.
- Attention should be on whether holding taxes are raised or additional housing supply measures are announced.

Apartment transaction price change, by region (y-y)



Source: R114, Samsung Securities

Apartment transaction price change, by region (w-w)

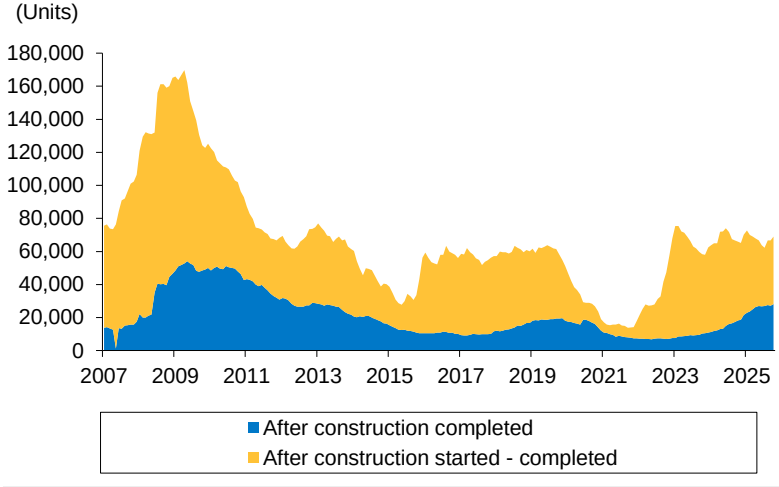


Source: KREB, Samsung Securities

Unsold inventory: Lingering risk

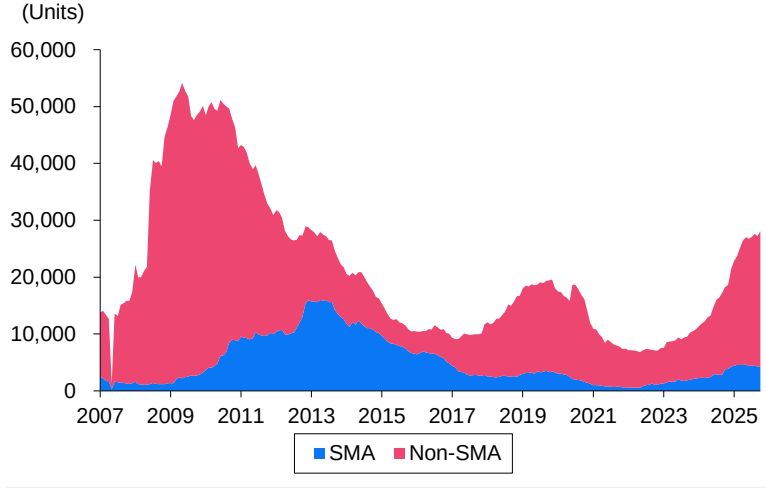
- As of end-October, the total unsold housing inventory in Korea stood 69,000 units, including 28,000 completed units.
- The provinces took up 84.4% of the total number of unsold units that had been completed.
- The unsold unit risk varies by constructor and depends on the type of business (contracted/reconstruction) and region (SMA/non-SMA).
- Considering the government's moves of resolving the unsold housing inventory issue in the provinces (*eg*, directly purchasing them or introducing CR REITs), the unsold inventory issue should be resolved gradually.

Unsold inventory: Started vs completed



Source: R114, Samsung Securities

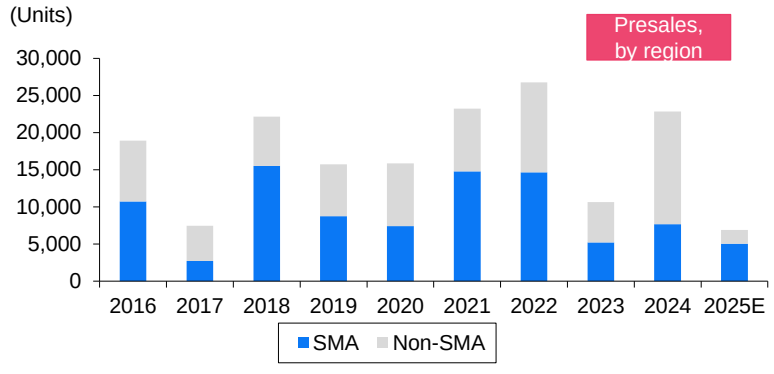
Unsold inventory (completed): SMA vs non-SMA

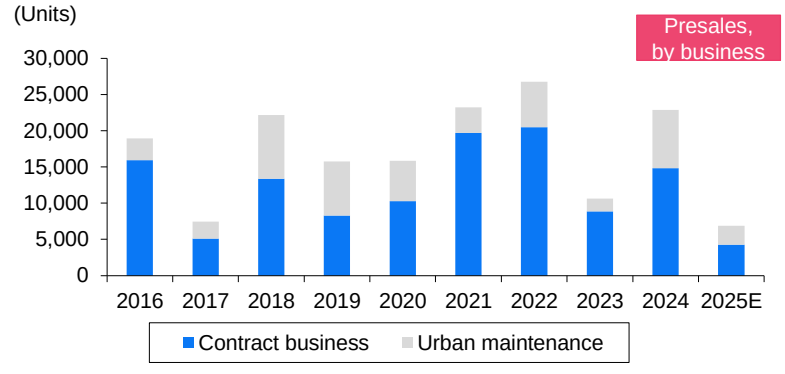


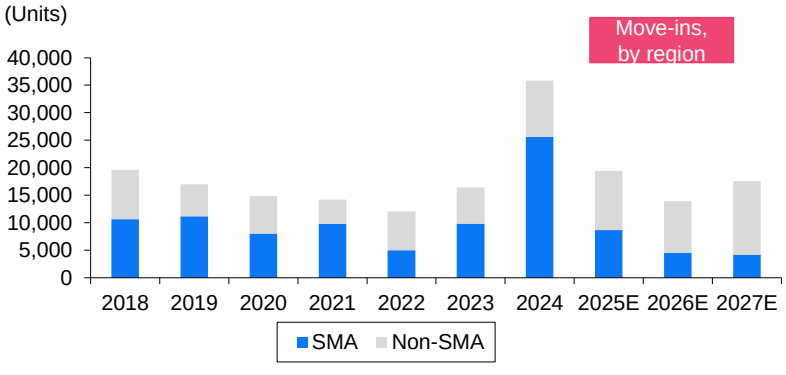
Source: R114, Samsung Securities

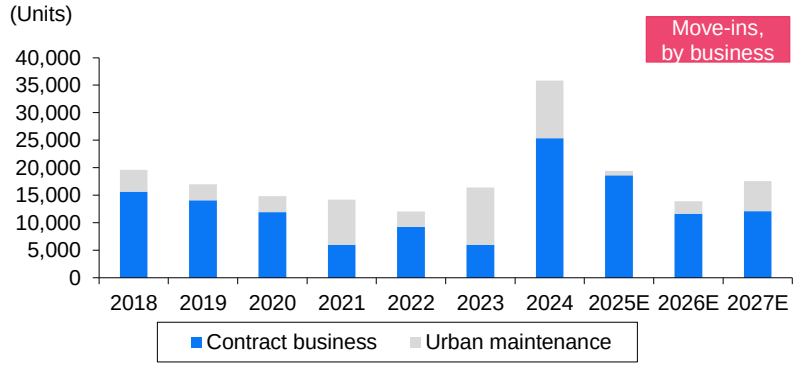
Presales and move-in volume: Hyundai E&C

Presales and move-in volume trends: Hyundai E&C









Source: R114, Samsung Securities

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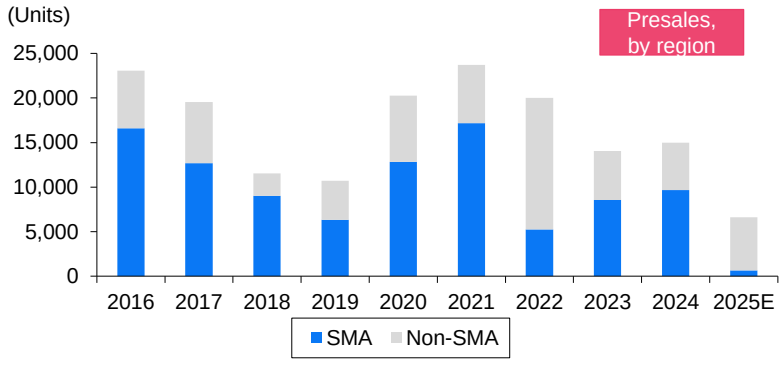

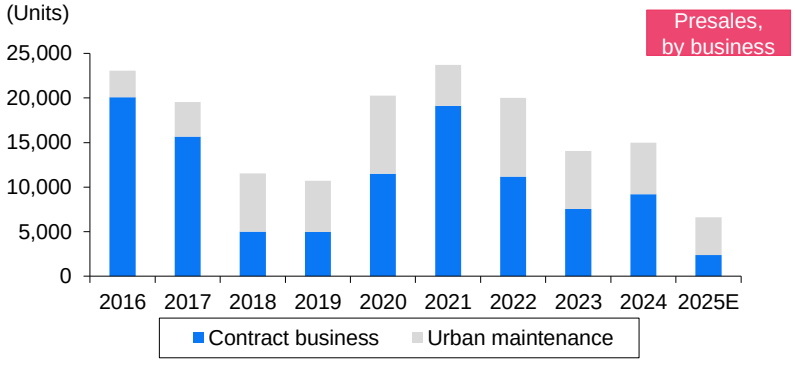

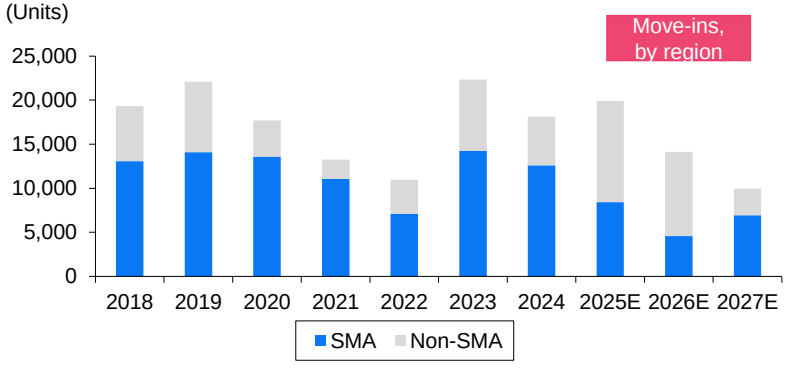

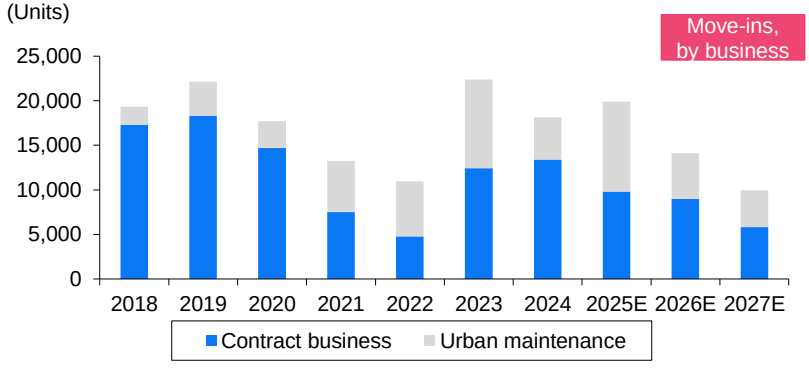

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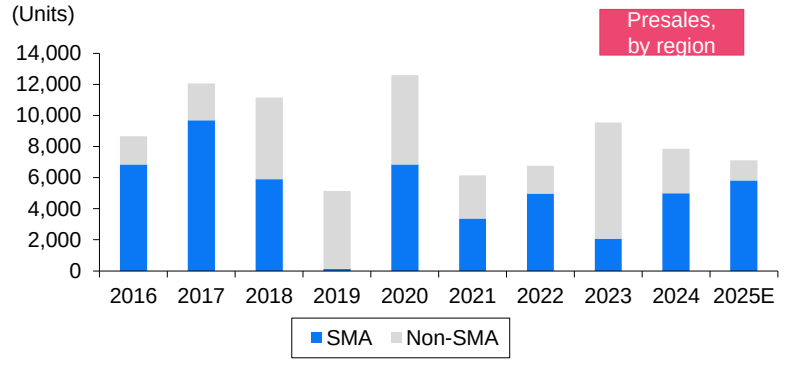

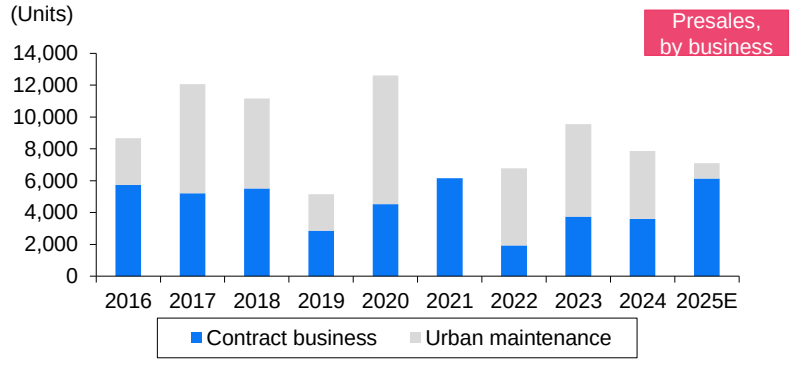

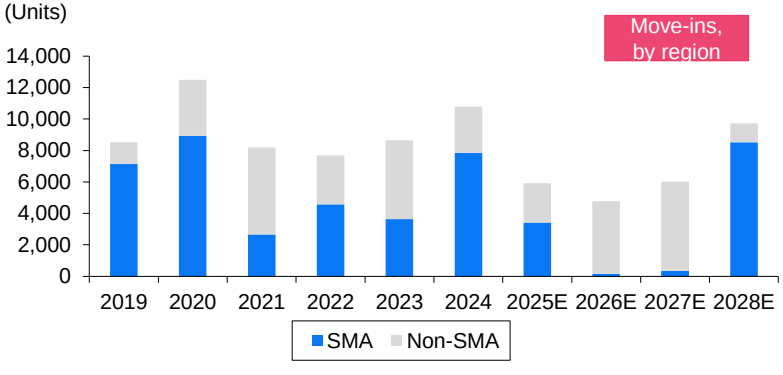

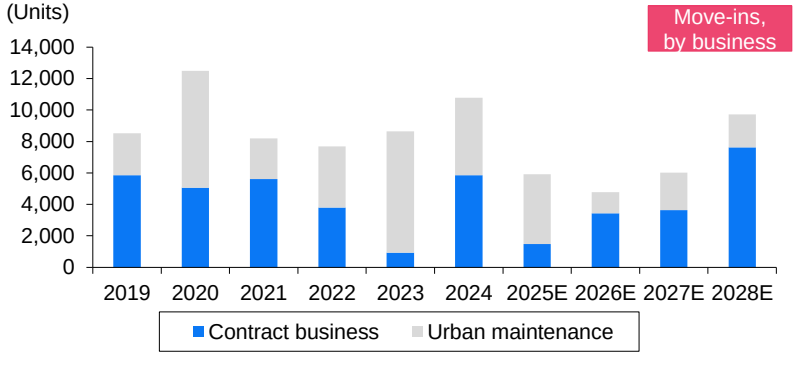

Source: R114, Samsung Securities

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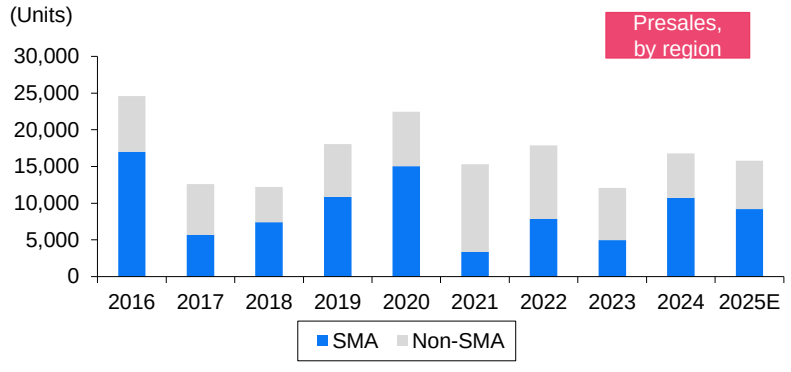
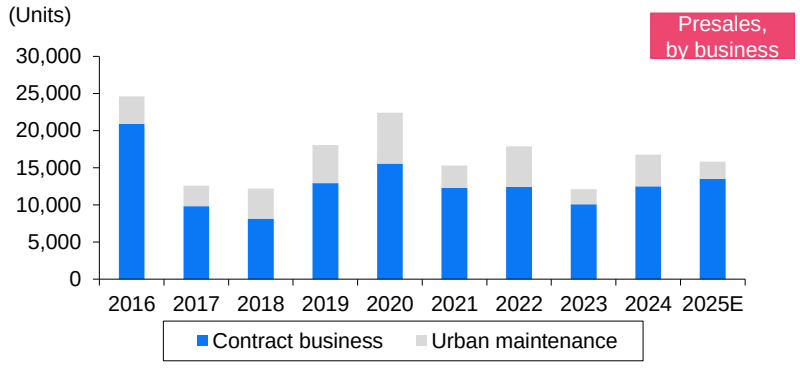
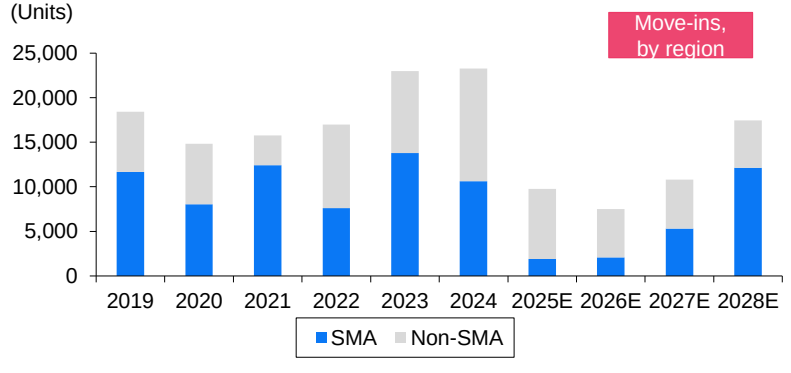
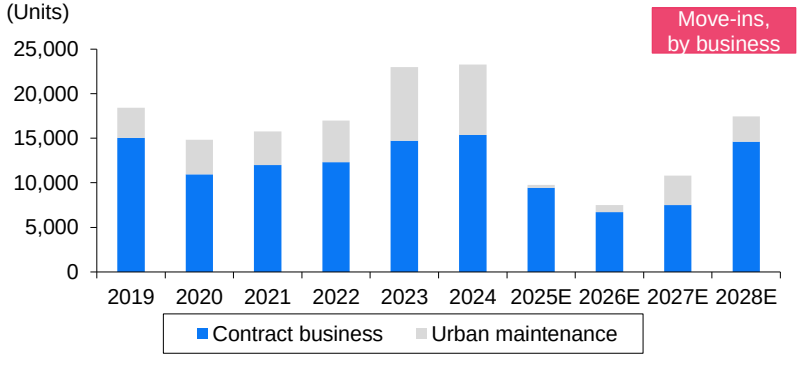




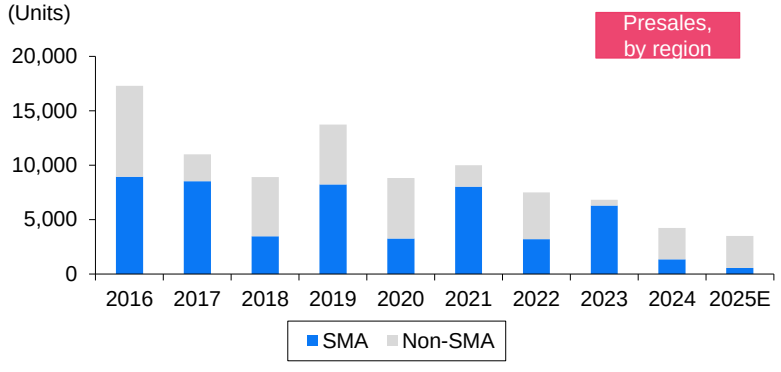


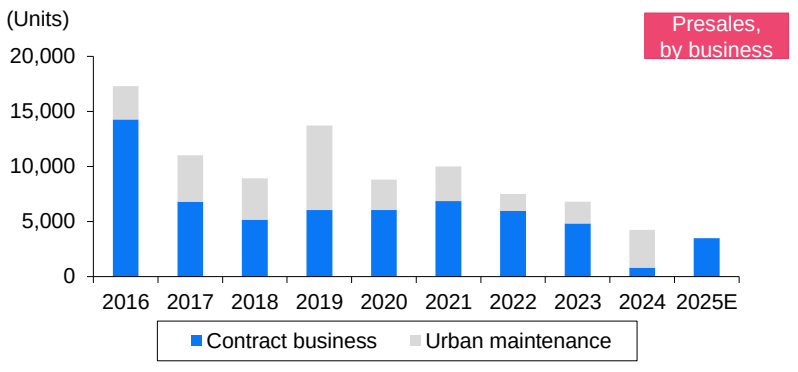


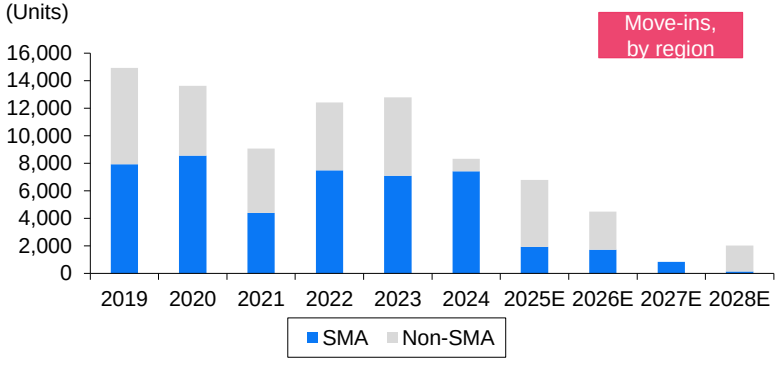
Source: R114, Samsung Securities

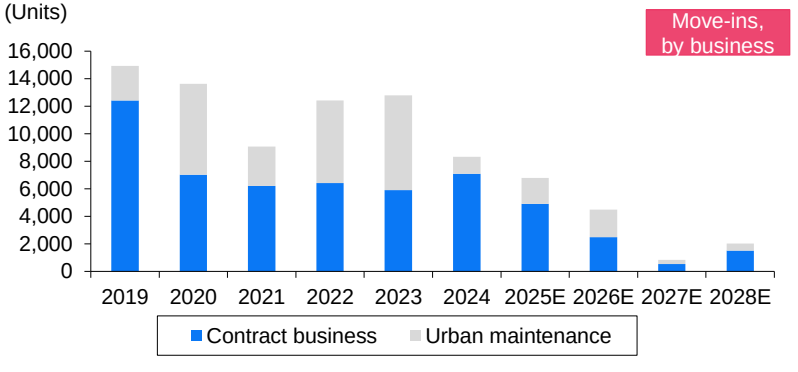
Presales and move-in volume: DL E&C

Presales and move-in volume trends: DL E&C







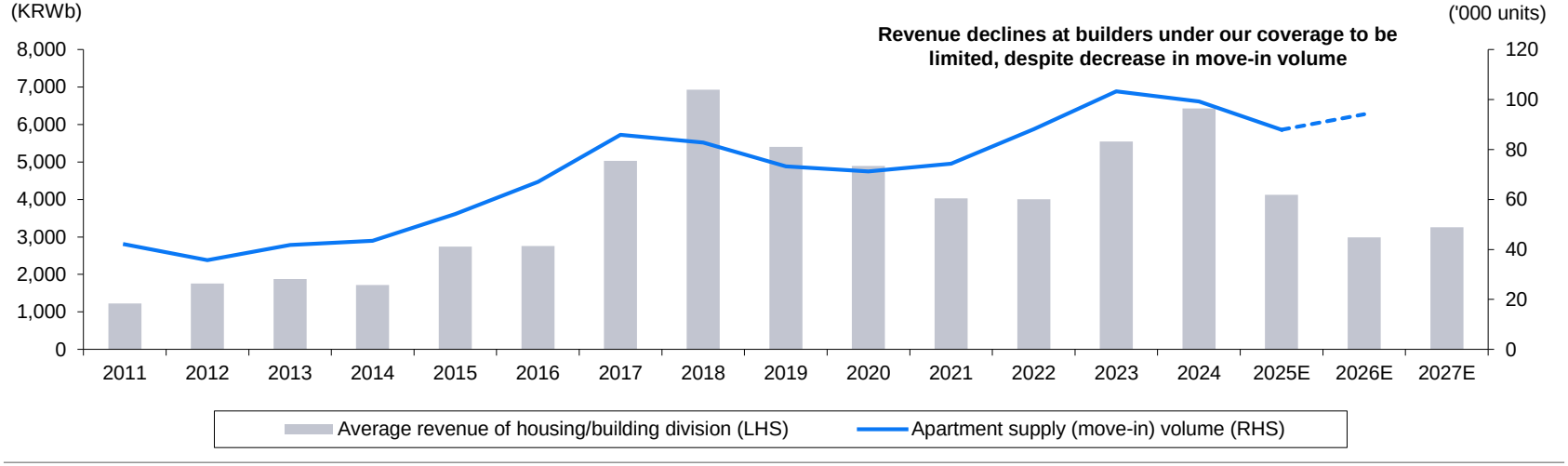


Source: R114, Samsung Securities

Revenue outlook: Falls to be limited despite lower delivery volume

- Domestic constructors' housing/building sales tend to precede apartment move-ins by one year.
- Despite the outlook of move-ins plunging in 2026 (as in the case of 2025), our covered players should suffer only limited declines in terms of housing/building sales in 2025.
- We owe these likely limited declines to: 1) a hike in the contract value; and 2) a rise in the portion of redevelopment/reconstruction projects (which tend to be long term).
- **With the contraction in move-ins set to ease from 2027, we forecast constructors' housing/building sales will log only limited declines in 2026.**

Apartment move-in volume vs the average revenue of builders (housing/building divisions) under our coverage*

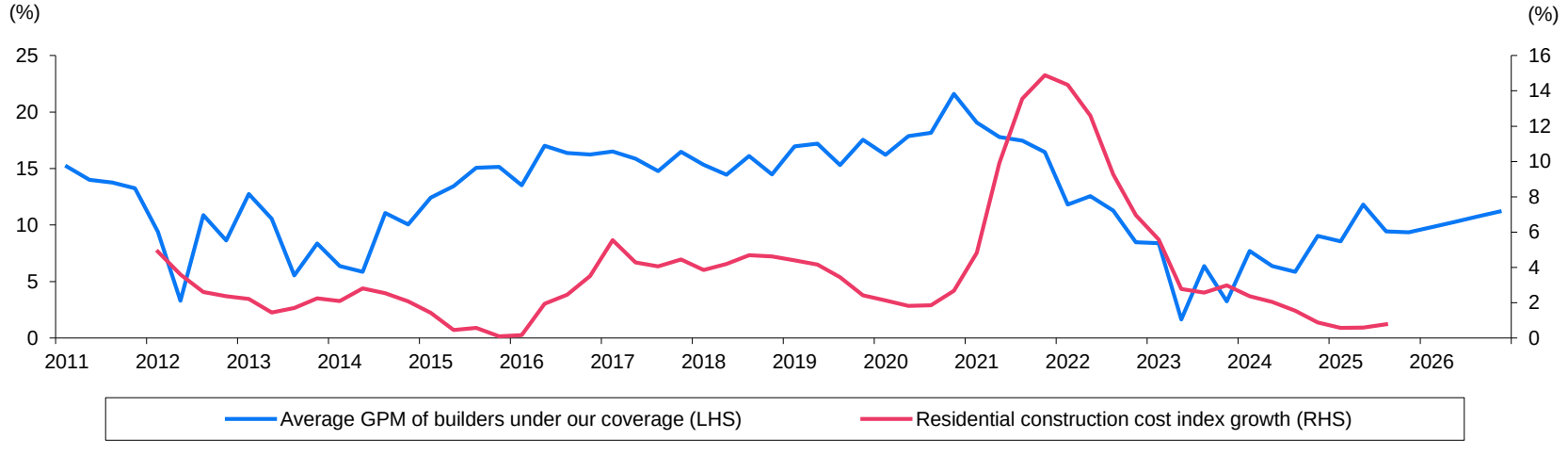


Note: *Our covered builders: Hyundai E&C, GS E&C, DL E&C, Daewoo E&C, HDC Hyundai Development
Source: Company data, R114, Samsung Securities

Profitability outlook: Margins to gradually expand

- Profitability at housing/building businesses keeps improving, albeit at a slower-than-expected pace, led by an easing of the pace at which construction costs are rising.
- The degree of profitability improvement, however, varies by constructor (the degree of improvement depends on the region where the division operates, the type of buildings they construct, and other project-specific traits).
- DL E&C posted the highest housing gross margin of 17.4% in 3Q25, followed by HDC Hyundai Development (12.9%), GS E&C (11.8%), Daewoo E&C (7.9%), and Hyundai E&C (5.1%).

Construction costs vs gross margins at Korean constructors' housing/building divisions

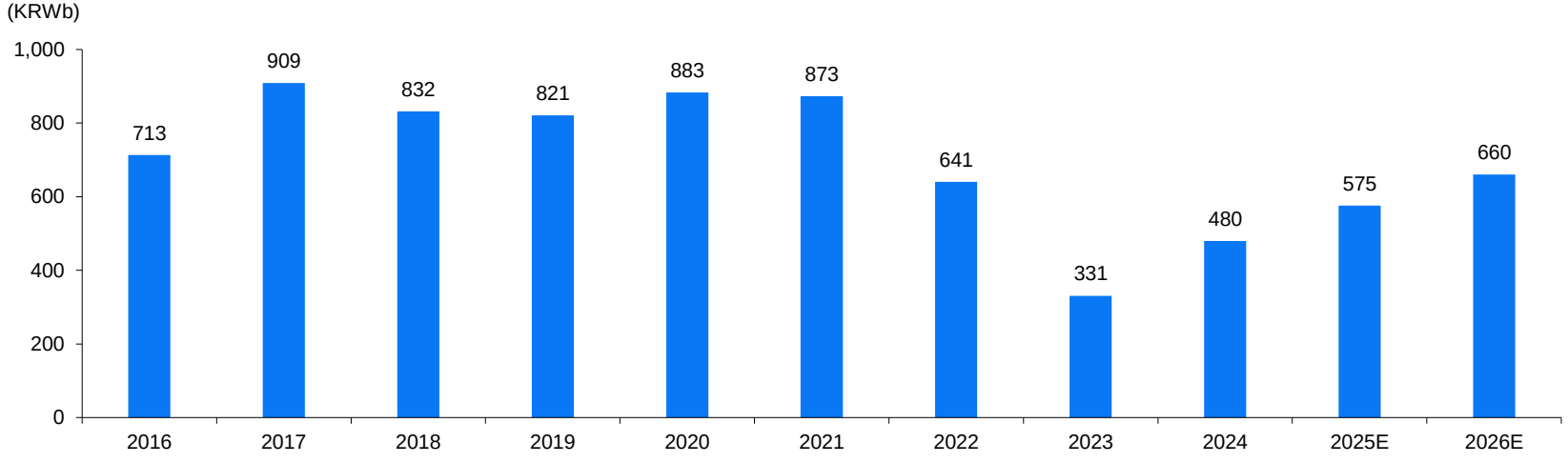


Note: Coverage builders include: Hyundai E&C, GS E&C, DL E&C, Daewoo E&C, HDC Hyundai Development
Source: Company data, KICT, Samsung Securities

Conclusion: Revenue headwinds to be offset by profitability gains

- **In sum, our covered players' earnings should keep rising in absolute terms in 2026, extending the strength seen in 2025.**
- We forecast their gross profit in 2026 will improve to: 1) the 2022 level; and 2) a level seen before the hike in construction costs began hurting profitability.

Builders under our coverage: Average gross profit (housing/building divisions)



Note: Builders under our coverage: Hyundai E&C, GS E&C, DL E&C, Daewoo E&C, HDC Hyundai Development
Source: Company data, Samsung Securities

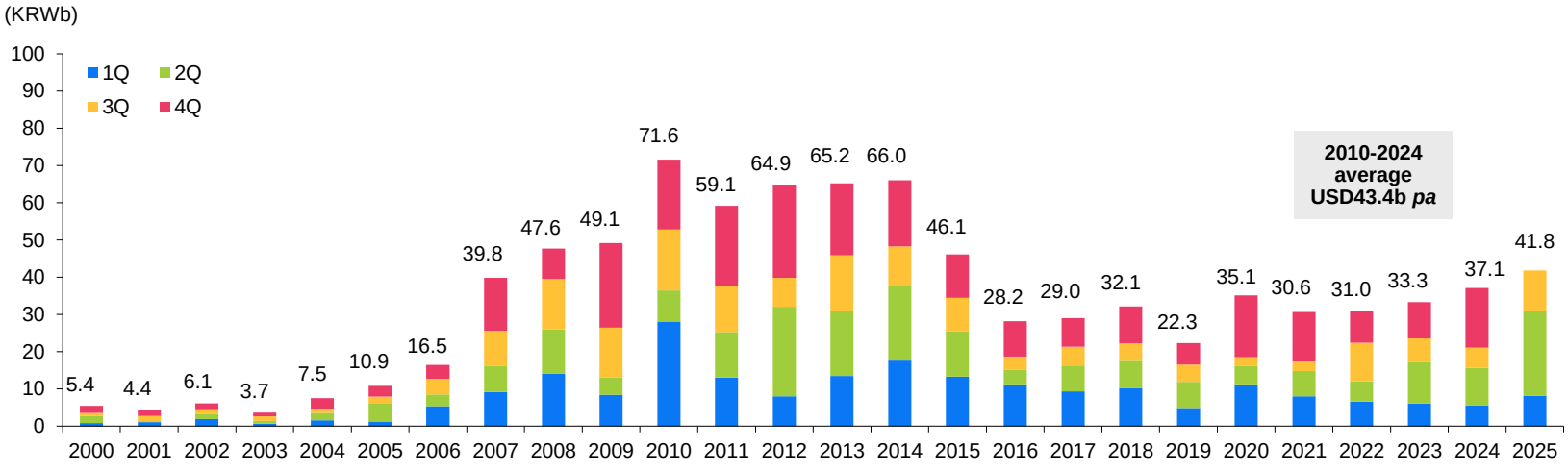
PART
03

Overseas construction

Orders, by quarter: Orders highest in a decade

- Overseas orders secured by Korean constructors over 1Q-3Q reached USD41.8b, the highest level since 2015 (full-year basis).
- The surge in orders owes to the winning of the Czech nuclear power plant project in June (USD18.7b; the second largest order won on record).
- Korean constructors are expected to land contracts related to nuclear reactors in Bulgaria and the Fermi America project (US) in 2026, suggesting that their new-order growth will continue beyond 2025.

Overseas construction order trends, by year and quarter

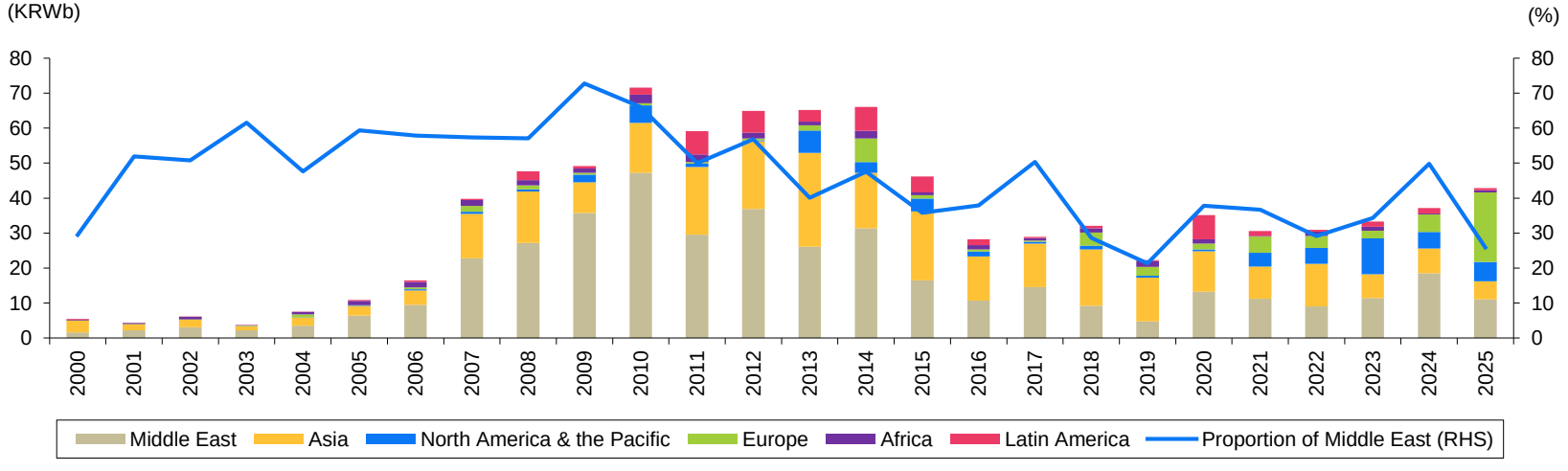


Source: KCIS, Samsung Securities

Orders, by region: Sharp rise in European exposure via nuclear

- By region, Europe's portion of overseas orders landed by Korean constructors surged following their winning the Czech nuclear power project in June (USD18.7b), the second largest order on record.
- This contrasts with the 2019-2024 period, during which time the Middle East's portion (of overseas orders won by Korean builders) steadily grew.

Overseas construction orders placed with Korean constructors, by region



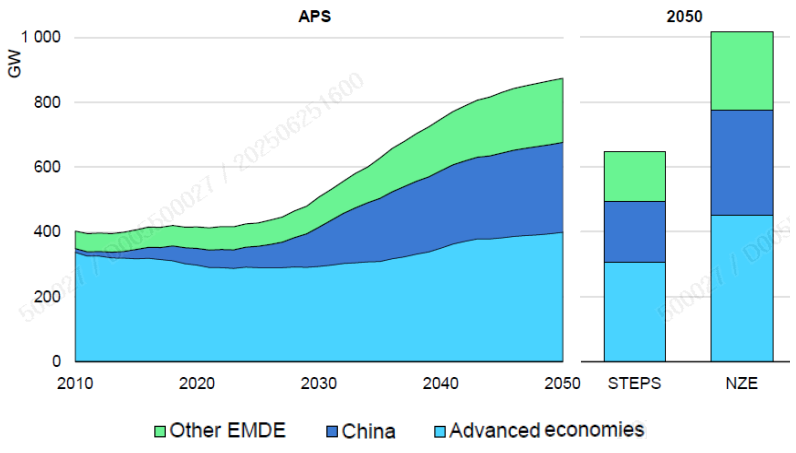
Source: KCIS, Samsung Securities

Market drivers: Nuclear & energy transition leads growth

- Looking ahead, oversea orders should be increasingly led by segments with secular growth potential.
- **Key areas with the strongest secular growth potential include:**

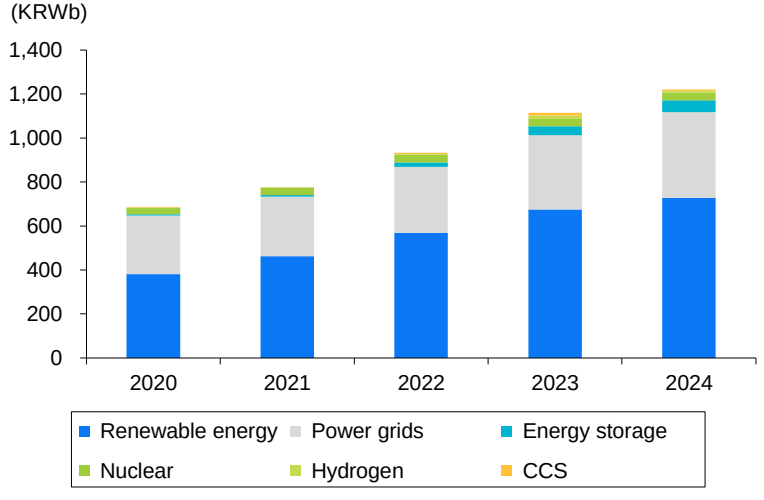
  1) nuclear reactors (SMR); and 2) energy transition (*eg*, CCUS, hydrogen, LNG, offshore wind)
- Companies with strength in these areas are expected to achieve growth in the overseas construction market.
- 1) Samsung E&A is expected to gain an early lead in the hydrogen and LNG markets thanks to its proactive investments.
- 2) Hyundai E&C is likely to win large-scale nuclear reactor orders next year and is actively pushing into energy transition areas (*eg*, offshore wind).

Global large-scale NPP installation outlook (by scenario*)



Note: *STEPS-Stated Policies Scenario, APS-Announced Pledges Scenario, NZE-Net Zero Emissions by 2050 Scenario
Source: IEA, Samsung Securities

Global energy transition investment trends

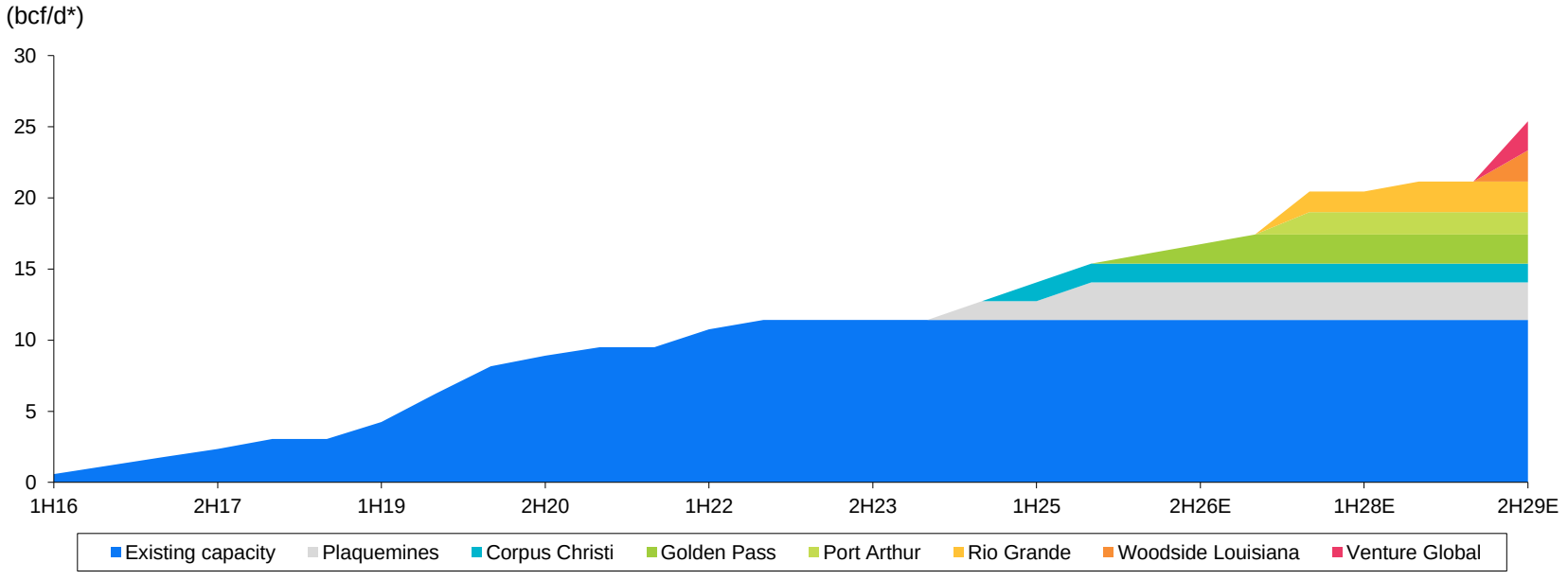


Source: BNEF, Samsung Securities

Energy transition: LNG as a bridge fuel

- LNG demand, as a bridge fuel, is rising. It is a cleaner alternative to coal and oil, and will likely be used until there is a full shift to renewable energy.
- According to EIA, North America's LNG extraction capacity is on track to more than double from 11.4b cubic feet per day in 2024 to 24.4b cubic feet per day in 2028 (if projects that are under construction begin operations as planned).

North America: LNG production

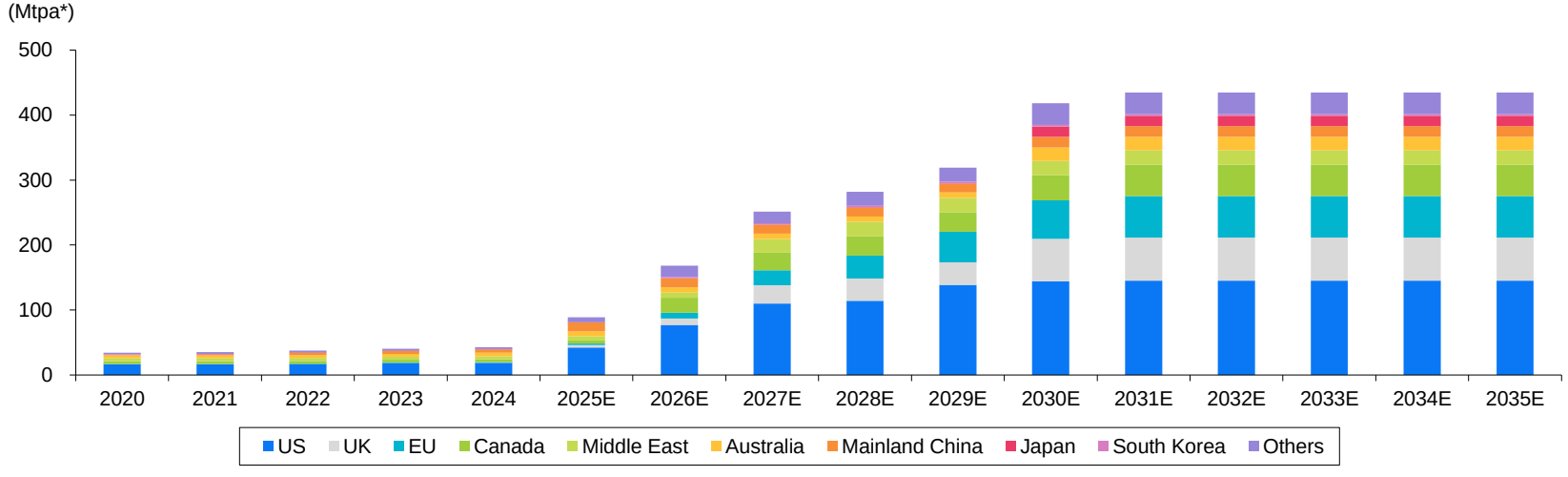


Note: includes LNG projects of Mexico, United States, Canada
Source: EIA, Samsung Securities

Energy transition: Long-term CCUS market growth potential

- As the LNG supply expands, CCUS technologies should advance as well over the longer term.
- BNEF expects the US to lead CCUS deployment, though recent political headwinds have delayed new capacity announcements.
- But if the LNG supply increases in North America, the CCUS market would inevitably perk up as well.
- Meanwhile, CCUS markets in the UK and continental Europe are already growing in earnest.

CCUS capacity, by country



Note: *Million ton per annual
Source: BNEF, Samsung Securities

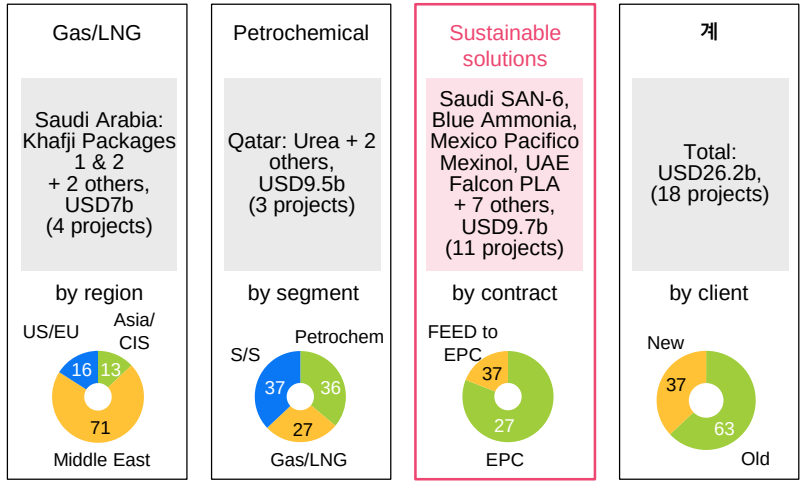
Energy transition: Samsung E&A

- Samsung E&A is pursing investments in hydrogen, ammonia, CCUS, and LNG, with the goal of delivering visible results from 2028.
- Early this year, it acquired a 9.1% stake in Nel (Norway; a global hydrogen company) for KRW47.6b and signed a partnership agreement for strategic collaboration.
- It recently signed an MOU with Honeywell (US) to advance carbon capture and storage (CCS) and waste-to-sustainable aviation fuel (SAF) technologies. In August, it won a FEED contract for an Indonesian LNG plant. The LNG project (with a CCS facility) has been designated an national strategic project (by Indonesia).
- Through this Indonesian LNG contract, Samsung E&A aims to build a solid track record and enter the rapidly growing US LNG market.

Samsung E&A and Nel sign investment and commercial agreements

Source: Samsung E&A. Samsung Securities

Samsung E&A: Hydrocarbon pipeline



Source: Samsung E&A. Samsung Securities

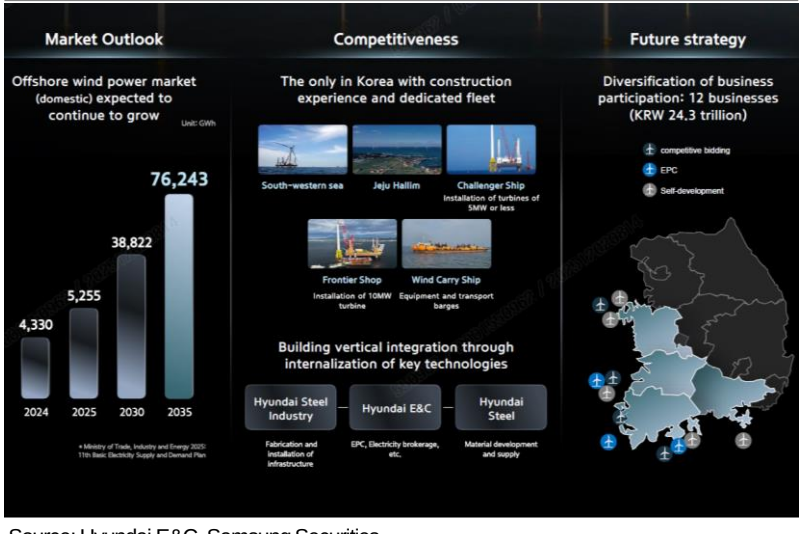
Energy transition: Hyundai E&C

- Hyundai E&C is investing in hydrogen, solar, and wind power. In line with Hyundai Motor Group's strategy, it is especially aggressive towards making hydrogen-related investments.
- In Sep 2025, it completed Korea's first water electrolysis-based commercial hydrogen production plant in Buan (North Jeolla Province), which is scheduled to commence commercial operations next year.
- In Oct 2024, its subsidiary Hyundai Engineering secured a KRW2t contract to build a solar power plant in Serbia.
- It expanded into the energy development business, leading the Jeju Hallim Offshore Wind Power consortium. Its subsidiary Hyundai Steel Industries handled the fabrication of wind power turbines and substructures.
- It recently made equity investments in Shinan-Ui Offshore consortium. The consortium has landed a project (worth KRW3.1t), and Hyundai E&C will participate in it.

Hyundai E&C: Water electrolysis hydrogen production plant

Source: Hyundai E&C. Samsung Securities

Hyundai E&C: Offshore wind power strategy



Source: Hyundai E&C. Samsung Securities

PART 04

Company analysis

Samsung E&A (028050KS | BUY | TP: 39,000 KRW)

Investment points

1. New-order momentum to strengthen in energy transition fields

Samsung E&A continues to win orders in the energy transition fields, showing that its preemptive investments in LNG, SAF, CCS, and hydrogen & ammonia operations are paying off. Backed by its solid track record (*ie*, it won orders from the US and the Middle East in 2025), the company should win more orders in 2026.

2. Non-hydrocarbon orders to recover, led by capex expansions by its affilates

In line with capex expansions by its affiliates, the company should win more orders from Samsung Electronics (relating to the P4 factory construction) and Samsung Biologics (number 6 plant) when the projects get underway.

3. Backed by ample cash holdings, to enhance shareholder returns

Among domestic EPC players, the company boasts strong technological prowess and a solid track record in the energy transition fields. It has the capacity to strengthen its shareholder return policy thanks to its ample cash holdings (about KRW3t).

Key information

Price as of Dec 4	KRW25,750
Market cap	KRW5.0t
60-day average turnover	KRW20.0b
52-week low/high	KRW16,300/KRW30,650
Dividend Yield	2.6%
Free float	79.4%
Foreign ownership	48.3%

Share performance (%)	1M	3M	6M	12M
Absolute	-2%	-7%	18%	45%
Relative	0%p	-33%p	-28%p	-19%p

Key data

Year end	Sales	Op profit	Pre-tax profit	Net profit	EPS	Chg	P/E	Net debt	EV/EBITDA	P/B	ROE
31-Dec	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(KRWb)	(x)	(x)	(%)
2022	10,054	703	716	595	3,392	78.6	6.6	-1,810	3.2	1.6	28.3
2023	10,625	993	933	696	3,846	13.4	7.5	-1,377	3.9	1.6	24.4
2024	9,967	972	904	639	3,862	0.4	4.3	-2,949	0.0	0.8	19.6
2025E	8,758	718	825	625	3,064	-20.7	9.0	-3,503	2.0	1.2	13.5
2026E	11,451	954	1,090	802	4,091	33.5	6.8	-4,406	0.7	1.0	15.9

Source: Company data, Samsung Securities

Hyundai E&C (000720KS | BUY | TP: 81,000 KRW)

Investment points

1. Unmatched capabilities in nuclear technology and engineering

Hyundai E&C has a strong track record in the field of nuclear reactors, and in 2026 it is expected to sign an EPC agreement with Fermi America and an EPC contract for a nuclear power plant in Bulgaria.

2. Earnings volatility high in 1H25 and low in 2H25

Despite the slow earnings recovery at the building, housing, and plant divisions, earnings at the company should improve gradually on the completion of low-margin projects. After earnings-related uncertainties dissipate, the value of the firm's nuclear capabilities should come to be fully recognized priced in.

3. Nuclear power projects to dictate long-term corporate value

Amid projections of high earnings volatility in 1H26 and the Construction Safety Special Act likely hindering performance at the building and housing divisions, sustained nuclear project momentum in 2026 should be key to the performance of its shares. In the near term, we suggest watching whether it wins an EPC contract from Fermi America in 1H26.

Key information

Price as of Dec 4	KRW68,300
Market cap	KRW7.6t
60-day average turnover	KRW87.4b
52-week low/high	KRW24,100/KRW85,100
Dividend Yield	0.9%
Free float	65.1%
Foreign ownership	20.5%

Share performance (%)	1M	3M	6M	12M
Absolute	1%	14%	-1%	156%
Relative	3%p	-12%p	-46%p	93%p

Key data

Year end	Sales	Op profit	Pre-tax profit	Net profit	EPS	Chg	P/E	Net debt	EV/EBITDA	P/B	ROE
31-Dec	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(KRWb)	(x)	(x)	(%)
2022	21,239	575	754	471	3,637	0.0	9.6	-3,486	3.6	0.5	3.6
2023	29,651	785	940	654	4,767	0.3	7.3	-2,687	3.6	0.5	3.6
2024	32,670	-1,263	-986	-766	-1,500	-1.3	-16.9	-2,236	-2.2	0.4	-2.2
2025E	30,685	643	653	514	3,265	-3.2	18.8	-2,792	7.0	0.8	7.0
2026E	30,835	905	1,052	774	6,189	0.9	9.9	-3,658	4.7	0.8	4.7

Source: Company data, Samsung Securities

HDC Hyundai Development (294870KS | BUY | TP: 28,000 KRW)

Investment points

1. Sales from in-house projects solid despite reduced presales volume

Despite a long downturn affecting the construction sector, HDC Hyundai Development has been able to maintain its earnings through the fast expansion of in-house projects. Its operating results should stand out among constructors over the longer term.

2. Profitability improving on sales from major projects

The firm's earnings from in-house projects should pick up on the full recognition of sales from Cheongju Gagyeong I'Park (Complexes 7 & 8) and Cheonan iPark City (Complex 3) from next year.

3. Time to take a broader view

The firm's major projects should generate sales of around KRW7t-8t *pa* over 2027-2028 (twice the 2024 level). It should see both quantitative and qualitative growth over the next 3 years, despite tighter regulations for constructors and a likely limited housing supply volume.

Key information

Price as of Dec 4	KRW19,580
Market cap	KRW1.3t
60-day average turnover	KRW4.7b
52-week low/high	KRW15,870/KRW27,850
Dividend Yield	3.6%
Free float	53.5%
Foreign ownership	18.2%

Share performance (%)	1M	3M	6M	12M
Absolute	3%	-4%	-17%	0%
Relative	5%p	-30%p	-62%p	-64%p

Key data

Year end	Sales	Op profit	Pre-tax profit	Net profit	EPS	Chg	P/E	Net debt	EV/EBITDA	P/B	ROE
31-Dec	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(KRWb)	(x)	(x)	(%)
2022	3,298	116	121	50	764	-0.7	13.1	589	7.7	0.2	1.7
2023	4,191	195	237	173	2,626	2.4	5.6	1,154	8.3	0.3	5.9
2024	4,256	185	200	156	2,363	-0.1	7.6	1,058	9.3	0.4	5.1
2025E	4,147	294	288	220	3,333	0.4	6.2	1,161	7.4	0.4	6.9
2026E	4,480	463	489	369	5,598	0.7	3.7	1,281	5.3	0.4	10.7

Source: Company data, Samsung Securities

GS E&C (006360KS | BUY | TP: 25,000 KRW)

Investment points

1. Low-margin projects completed

Profitability at GS E&C should keep improving thanks to the completion of projects for which costs had been conservatively estimated. Top-line growth will likely be dampened by a drop in presales volume, but its margins should improve further.

2. Plant sales to grow in earnest

As execution budgets have been finalized for major projects (*eg*, the Saudi Arabian Fadhili project), the firm's plant business should be a key driver of its 2026 earnings, partially offsetting a slowdown in sales at the housing business.

3. Time to pay attention to the bigger picture

While 2025 has been marked by one-offs (for its infra, plant, and new businesses), GS E&C should register a more stable earnings improvement in 2026. The timing of its booking the proceeds from the GS Inima sale remains uncertain, but the upcoming massive cash inflow should help improve its financials, allowing it to increase its investment activities.

Key information

Price as of Dec 4	KRW19,080
Market cap	KRW1.6t
60-day average turnover	KRW7.4b
52-week low/high	KRW15,190/KRW24,850
Dividend Yield	1.6%
Free float	75.1%
Foreign ownership	25.3%

Share performance (%)	1M	3M	6M	12M
Absolute	2%	1%	-17%	-1%
Relative	5%p	-24%p	-63%p	-64%p

Key data

Year end	Sales	Op profit	Pre-tax profit	Net profit	EPS	Chg	P/E	Net debt	EV/EBITDA	P/B	ROE
31-Dec	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(KRWb)	(x)	(x)	(%)
2022	12,299	555	665	441	3,964	-0.2	5.3	1,960	5.6	0.4	7.2
2023	13,437	-388	-517	-420	-5,631	-2.4	-2.7	2,507	-22.4	0.3	-10.5
2024	12,864	286	442	264	2,869	-1.5	6.0	3,398	11.2	0.3	5.6
2025E	12,544	516	209	136	1,587	-0.4	11.8	2,268	6.3	0.3	3.0
2026E	12,448	676	663	490	5,263	2.3	3.6	1,677	4.7	0.3	9.4

Source: Company data, Samsung Securities

DL E&C (375500KS | BUY | TP: 57,000 KRW)

Investment points

1. Profitability improvement confirmed

DL E&C's COGS ratio gradually improved in 1H25 on sales-mix improvements. Its financials and profitability should remain higher than those at its rivals in 2026.

2. Plant business to remain sluggish

Sales at the plant business are bound to fall in 2026 due to the completion of large projects and an absence of new overseas orders. To lock-in future top-line growth, the firms needs to land new plant orders.

3. Wining new orders key

Despite conservative cost estimates, the pace of its profit improvement has proven the fastest among domestic constructors, strengthening confidence in its housing margins. However, winning additional orders is essential to offsetting a fall in sales (caused by order delays). Securing new plant orders should be key to its share performance in 2026.

Key information

Price as of Dec 4	KRW39,850
Market cap	KRW1.5t
60-day average turnover	KRW8.6b
52-week low/high	KRW30,000/KRW59,700
Dividend Yield	1.4%
Free float	72.8%
Foreign ownership	30.8%

Share performance (%)	1M	3M	6M	12M
Absolute	-3.7%	-8.2%	-19.7%	20.0%
Relative	-1%p	-34%p	-65%p	-43%p

Key data

Year end	Sales	Op profit	Pre-tax profit	Net profit	EPS	Chg	P/E	Net debt	EV/EBITDA	P/B	ROE
31-Dec	(KRWb)	(KRWb)	(KRWb)	(KRWb)	(KRW)	(% y-y)	(x)	(KRWb)	(x)	(x)	(%)
2022	7,497	497	595	432	9,627	-0.3	3.5	-1,120	1.1	0.3	9.7
2023	7,991	331	280	202	4,377	-0.5	8.2	-998	1.2	0.3	4.1
2024	8,318	271	354	229	5,348	0.2	6.0	-980	1.0	0.3	4.8
2025E	7,464	379	296	223	5,193	0.0	7.7	-1,214	1.0	0.3	4.5
2026E	7,551	511	605	445	10,366	1.0	3.8	-1,481	0.3	0.3	8.3

Source: Company data, Samsung Securities

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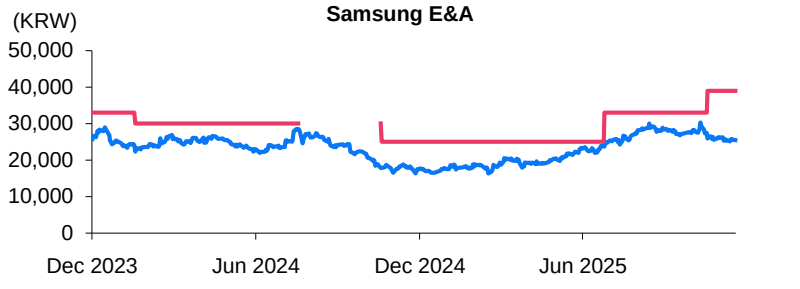
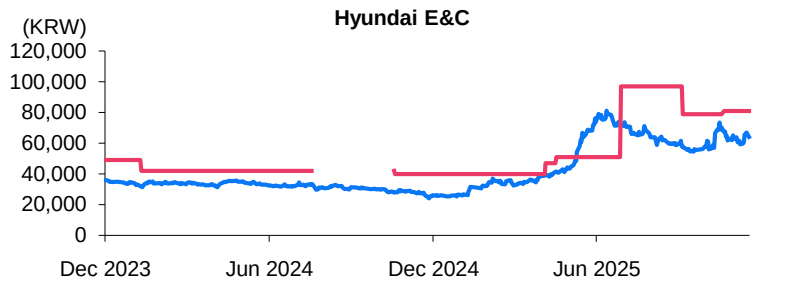
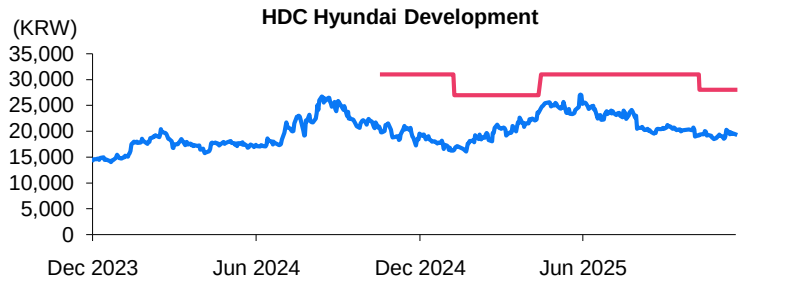
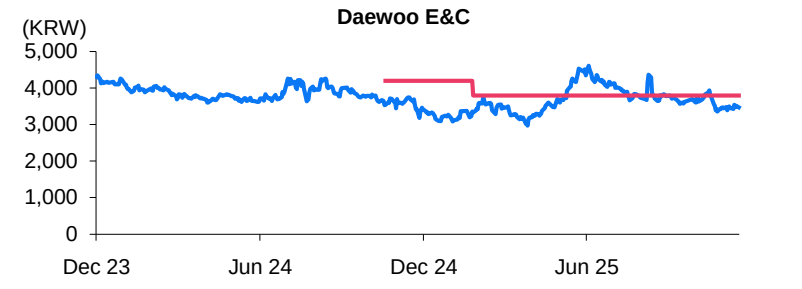
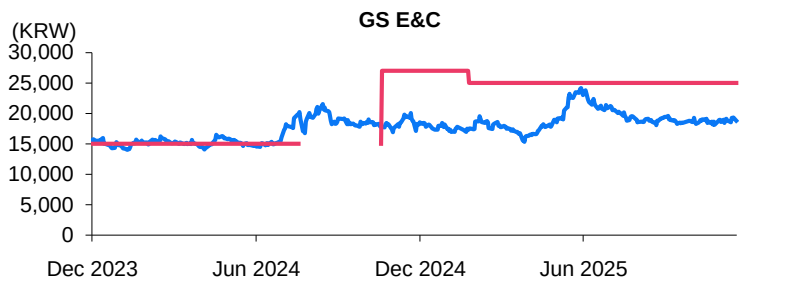
Rating changes over past two years (adjusted share prices)

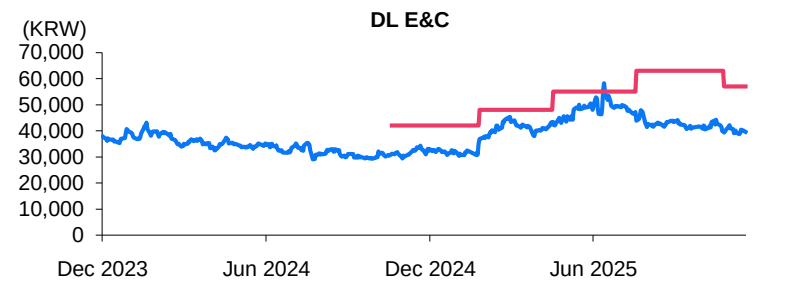












Rating changes over past two years (adjusted share prices)

Samsung E&A								
Date	2023/10/31	2024/1/31	11/1	2025/7/8	10/31			
Recommendation	BUY	BUY	BUY	BUY	BUY			
Target price (KRW)	33000	30000	25000	33000	39000			
Gap* (average)	-22.96	-18.02	-23.14	-17.00				
(max or min)**	-12.12	-5.00	-4.40	-8.18				

Hyundai E&C								
Date	2023/11/28	2024/1/23	11/1	2025/4/18	4/30	7/11	9/18	11/3
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	49000	42000	40000	47000	51000	97000	79000	81000
Gap* (average)	-28.97	-20.44	-23.12	-15.68	25.83	-33.67	-24.26	
(max or min)**	-25.10	-15.00	-1.25	-12.45	59.02	-24.12	-6.96	

HDC Hyundai Development				
Date	2024/11/1	2025/1/21	4/28	10/22
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	31000	27000	31000	28000
Gap* (average)	-39.22	-26.05	-26.82	
(max or min)**	-30.65	-12.41	-12.58	

Rating changes over past two years (adjusted share prices)

Daewoo E&C					
Date	2024/11/1	2025/2/7			
Recommendation	HOLD	HOLD			
Target price (KRW)	4200	3800			
Gap* (average)	-19.07				
(max or min)**	-10.83				

GS E&C					
Date	2023/10/30	2024/10/30	2024/11/1	2025/2/6	
Recommendation	HOLD	HOLD	BUY	BUY	
Target price (KRW)	15000	15000	27000	25000	
Gap* (average)	2.66	18.47	-33.15		
(max or min)**	32.33	18.47	-25.74		

DL E&C					
Date	2024/11/1	2025/2/7	4/30	8/1	11/7
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	42,000	48,000	55,000	63,000	57,000
Gap* (average)	-24.24	-14.33	-11.77	-32.37	
(max or min)**	-16.31	-5.42	5.82	-23.97	

Rating changes over past two years (adjusted share prices)

Samsung Securities uses the following investment ratings

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

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

Percentage of ratings in 12 months prior to 2025.09.30

BUY(83.5%)·HOLD(16.5%)·SELL(0%)

MEMO

Samsung Securities

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