COMPANY UPDATE

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HPSP (403870)

Update on block deal by major shareholder

- Reports indicate that HPSP's major shareholder is planning to sell a portion of its stake at a discount of 6-10.5% vs the Jan 6 closing price.
- The resultant reemergence of overhang risk should weigh on the stock price in the short term.
- However, given the industry's strengthening fundamentals, we maintain our BUY rating on the stock.

WHAT'S THE STORY?

Major shareholder to sell 10% stake: On Jan 6 (after market hours), reports surfaced that the major shareholder of HPSP had initiated book-building to sell 8.36m shares (around 10% of outstanding shares) of its total holdings (32.8m shares). The price range for the transaction is reportedly set at a 6-10.5% discount to the Jan 6 closing price (KRW35,050-36,800).

Resurgence of overhang risk to weigh on stock price... The re-emergence of overhang risk should put downwards pressure on the stock price in the short term. The major shareholder currently holds 39.3% of outstanding shares, falling to an estimated 29.3% after the block deal. For reference, the same shareholder attempted to sell its entire stake last year but later withdrew the plan. Additionally, the potential discount of up to 10% is likely to negatively impact investor sentiment.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW45,000	14.9%
Current price	KRW39,150	
Market cap	KRW3.3t/USD2.3b	
Shares (float)	83,610,568 (57.4%)	
52-week high/low	KRW39,150/KRW21,300	
Avg daily trading value (60-day)	KRW24.4b/ USD16.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HPSP (%)	29.2	44.5	34.1
Vs Kosdaq (%pts)	25.0	17.2	0.7

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	45,000	45,000	0.0%
2025E EPS	865	899	-3.7%
2026E EPS	1,134	1,307	-13.3%

SAMSUNG vs THE STREET

No of estimates	7
Target price	39,571
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

	2024	2025E	2026E	2027E
Revenue (KRWb)	181	172	214	274
Operating profit (KRWb)	94	88	113	151
Net profit (adj) (KRWb)	86	70	92	120
EPS (adj) (KRW)	1,056	865	1,134	1,483
EPS (adj) growth (% y-y)	6.7	-18.0	31.0	30.8
EBITDA margin (%)	53.8	53.6	55.2	57.1
ROE (%)	31.1	24.0	28.1	31.3
P/E (adj) (x)	24.7	35.0	34.5	26.4
P/B (x)	7.6	8.0	9.1	7.6
EV/EBITDA (x)	20.2	24.9	25.4	18.9
Dividend yield (%)	2.3	1.8	1.5	1.5

Source: Company data, Samsung Securities estimates

...but focus should remain on strengthening industry conditions: But focus should be on semiconductor industry conditions as they are strengthening. Both memory and non-memory segments are experiencing severe supply shortages, leading to upward revisions in capex forecasts. HPSP's equipment is primarily focused on advanced process nodes, meaning it remains a key beneficiary of this trend. As the company has less exposure to memory (vs its domestic equipment peers with higher exposure to Samsung Electronics and SK Hynix), its earnings sensitivity to the segment may be lower. However, the logic/foundry sector is also expanding investments for advanced process nodes, so expectations for renewed earnings growth at the company remain valid.

Maintaining BUY: Although we lower our earnings estimates for the stock, we maintain our BUY rating and target price. We raise our 2026 target P/E multiple for the stock from 34x to 40x, noting that its semiconductor equipment peers' valuation has risen since our previous target price was set.

4Q25 preview and 2026 outlook: We now forecast HPSP's 4Q25 sales at KRW51.6b and operating profit at KRW25.2b (for an operating margin of 48.8%), which is 2% and 4% lower than our previous estimates, respectively, due mainly to a slight downward revision in our non-equipment sales estimates.

For 2026, we forecast its sales and operating profit at KRW214.1b and KRW113.2b (for a margin of 52.9%), respectively, both 11% lower than our previous estimates. There are no fundamental changes in the company's outlook, and considering the expected hike in semiconductor industry investments, its order intake should be stronger than previously anticipated. Still, due to equipment lead times, its sales recognition may be delayed, with actual sales likely to be concentrated over 2H26-1H27.

4Q25 preview

(KRWb)	4Q25E	4Q24	Diff (% y-y)	3Q25	Diff (% q-q)	Consensus	Diff (%)
Sales	51.6	66.6	-22.6	32.0	60.9	53.8	-4.2
Operating profit	25.2	35.8	-29.6	15.1	66.7	26.9	-6.5
Pre-tax profit	26.8	43.7	-38.7	17.7	51.7	30.1	-10.8
Net profit	20.5	33.5	-38.9	13.5	51.6	22.9	-10.5
Margins (%)							
Operating margin	48.8	53.7		47.1		50.0	
Pre-tax margin	52.0	65.6		55.1		55.8	
Net margin	39.7	50.3		42.1		42.5	

Source: FnGuide, Samsung Securities estimates

HPSP: Changes to full-year earnings estimates

(KRWb)	New		Old		Diff (%)	
	2025E	2026E	2025E	2026E	2025E	2026E
Sales	171.9	214.1	177.0	240.6	-2.9	-11.0
Operating profit	87.6	113.2	90.1	127.0	-2.7	-10.9
Net profit	69.8	91.6	72.5	105.4	-3.6	-13.1

Source: Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**179**	**181**	**172**	**214**	**274**
Cost of goods sold	60	52	47	59	74
Gross profit	**119**	**130**	**125**	**156**	**200**
Gross margin (%)	66.2	71.5	72.6	72.6	73.0
SG&A expenses	23	36	37	42	49
Operating profit	**95**	**94**	**88**	**113**	**151**
Operating margin (%)	53.2	51.8	51.0	52.9	55.1
Non-operating gains (losses)	**9**	**20**	**4**	**7**	**6**
Financial profit	8	7	6	7	6
Financial costs	0	0	0	0	0
Equity-method gains (losses)	0	0	0	0	0
Other	1	13	-2	0	0
Pre-tax profit	**104**	**114**	**91**	**120**	**157**
Taxes	24	28	22	28	37
Effective tax rate (%)	22.8	24.2	23.6	23.7	23.7
Profit from continuing operations	80	86	70	92	120
Profit from discontinued operations	0	0	0	0	0
Net profit	**80**	**86**	**70**	**92**	**120**
Net margin (%)	44.9	47.6	40.6	42.8	43.8
Net profit (controlling interests)	80	86	70	92	120
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	97	98	92	118	156
EBITDA margin (%)	53.9	53.8	53.6	55.2	57.1
EPS (parent-based) (KRW)	990	1,056	865	1,134	1,483
EPS (consolidated) (KRW)	990	1,056	865	1,134	1,483
Adjusted EPS (KRW)*	990	1,056	865	1,134	1,483

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**276**	**238**	**280**	**321**	**388**
Cash & equivalents	43	61	130	161	218
Accounts receivable	2	10	17	22	26
Inventories	24	23	24	27	32
Other current assets	206	144	109	111	113
Fixed assets	**45**	**82**	**82**	**85**	**89**
Investment assets	0	0	0	0	0
Tangible assets	40	49	49	52	57
Intangible assets	2	2	2	2	2
Other long-term assets	3	31	30	30	30
Total assets	**321**	**320**	**362**	**406**	**478**
Current liabilities	**42**	**41**	**56**	**57**	**58**
Accounts payable	6	2	4	5	6
Short-term debt	0	0	0	0	0
Other current liabilities	35	39	53	53	53
Long-term liabilities	**2**	**1**	**1**	**1**	**1**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	2	1	1	1	1
Total liabilities	**44**	**42**	**57**	**58**	**59**
Owners of parent equity	**277**	**278**	**304**	**347**	**419**
Capital stock	41	42	42	42	42
Capital surplus	59	61	62	62	62
Retained earnings	175	253	275	318	390
Other	2	-78	-75	-75	-75
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**277**	**278**	**304**	**347**	**419**
Net debt	-228	-188	-229	-262	-321

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**66**	**84**	**92**	**87**	**116**
Net profit	80	86	70	92	120
Non-cash profit and expenses	23	21	4	5	5
Depreciation	1	4	4	5	5
Amortization	0	0	0	0	0
Other	21	17	0	0	0
Changes in A/L from operating activities	-13	-9	17	-9	-9
Cash flow from investments	**-148**	**20**	**26**	**-8**	**-10**
Change in tangible assets	-25	-43	26	-8	-10
Change in financial assets	-122	59	0	0	0
Other	-1	4	0	0	0
Cash flow from financing	**-4**	**-94**	**-49**	**-48**	**-48**
Change in debt	-1	-1	0	0	0
Change in equity	6	2	0	0	0
Dividends	-2	-7	-48	-48	-48
Other	-8	-88	-0	0	0
Change in cash	-87	18	68	31	58
Cash at beginning of year	130	43	61	130	161
Cash at end of year	43	61	130	161	218
Gross cash flow	**103**	**107**	**74**	**97**	**125**
Free cash flow	**42**	**41**	**88**	**79**	**106**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	12.4	1.3	-5.3	24.6	27.8
Operating profit	11.8	-1.3	-6.7	29.1	33.1
Net profit	21.9	7.3	-19.1	31.1	30.8
Adjusted EPS**	9.5	6.7	(18.0)	31.0	30.8
Per-share data (KRW)					
EPS (parent-based)	990	1,056	865	1,134	1,483
EPS (consolidated)	990	1,056	865	1,134	1,483
Adjusted EPS**	990	1,056	865	1,134	1,483
BVPS	3,410	3,417	3,771	4,302	5,185
DPS (common)	150	600	600	600	600
Valuations (x)					
P/E***	44.3	24.7	35.0	34.5	26.4
P/B***	12.9	7.6	8.0	9.1	7.6
EV/EBITDA	34.5	20.2	24.9	25.4	18.9
Ratios (%)					
ROE	34.0	31.1	24.0	28.1	31.3
ROA	27.7	26.9	20.5	23.9	27.1
ROIC	267.2	126.4	122.4	164.5	180.6
Payout ratio	9.3	55.9	69.4	52.9	40.4
Dividend yield (common)	0.3	2.3	1.8	1.5	1.5
Net debt to equity	-82.3	-67.7	-75.3	-75.3	-76.7
Interest coverage (x)	558.2	919.9	1,831.3	n/a	n/a

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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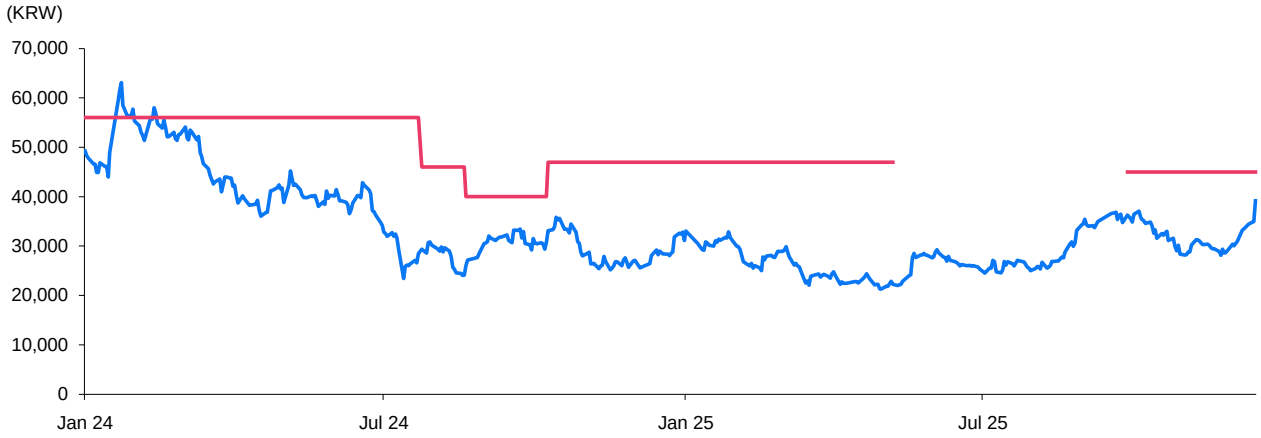
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/12/4	2024/8/16	9/12	11/1	10/20
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	56000	46000	40000	47000	45000
Gap* (average)	-22.11	-39.37	-22.77	-41.64	
(max or min)**	12.68	-32.93	-16.38	-23.83	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

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Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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* 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 2025.12.31

BUY (85.8%)·HOLD (14.2%)·SELL (0%)

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