COMPANY UPDATE

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HD Hyundai Electric (267260)

CEO conference takeaways: Moving forward

- HD Hyundai Electric has acknowledged that its 2026 sales guidance is based on highly conservative assumptions. The firm maintains a positive outlook on the business environment.
- Its improving product mix and ongoing price hikes suggest potential for further profitability gains.
- Although the stock's valuation seems burdensome in the near term, this should ease as earnings grow and peer valuations recover.

WHAT'S THE STORY?

Controversial guidance reflects conservative assumptions: HD Hyundai Electric's 2026 sales guidance sparked debate for being 9% below the consensus forecast. The company has acknowledged that the guidance is based on conservative assumptions. Historically, its sales have exceeded early-year guidance by 6-7%. Given that the firm now uses a conservative forex rate assumption of KRW1,350/USD (in line with Hyundai Group), we do not believe the consensus forecasts is too aggressive. Thus, we maintain our sales forecast.

Potential for further improvement: HD Hyundai Electric already enjoys superior profitability to its peers, largely thanks to its high-quality products and timely deliveries, which allow it to sell transformers at a premium. The company also believes there is room for additional price hikes. On the product side, HD Hyundai Electric is seeing growing orders for ultra-high-voltage transformers, a segment notable for limited competition and strong pricing power.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW1,020,000	11.7%
Current price	KRW922,000	
Market cap	KRW33.2t/USD22.5b	
Shares (float)	36,047,135 (62.4%)	
52-week high/low	KRW949,000/KRW265,000	
Avg daily trading value (60-day)	KRW145.3b/ USD98.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai Electric (%)	6.5	104.7	129.6
Vs Kospi (%pts)	-6.1	38.8	21.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	1,020,000	890,000	14.6%
2025E EPS	18,786	19,457	-3.4%
2026E EPS	28,887	26,909	7.4%

SAMSUNG vs THE STREET

No of estimates	13
Target price	956,154
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	3,322	4,168	4,736	5,000
Operating profit	669	988	1,322	1,452
Net profit (adj)	498	677	1,041	1,142
EPS (adj) (KRW)	13,914	18,786	28,887	31,679
EPS (adj) growth (% y-y)	94	35	54	10
EBITDA margin (%)	22.1	25.3	29.3	30.3
ROE (%)	39.3	39.1	44.1	35.7
P/E (adj) (x)	65.6	48.6	31.6	28.8
P/B (x)	21.9	16.8	11.9	9.1
EV/EBITDA (x)	44.4	30.7	22.8	20.3
Dividend yield (%)	0.6	0.7	0.7	0.8

Source: Company data, Samsung Securities estimates

In 2025 and early 2026, HD Hyundai Electric announced that it had taken orders for 765 kV ultra-high-voltage transformers. On the cost side, there are few major variables, because the company has successfully passed tariff burdens and raw material cost increases onto its clients. Considering all these factors, we see scope for profitability improving further.

Solid longer-term growth visibility: Having decided to expand capacity earlier than its competitors did, HD Hyundai Electric is now acting on those plans. The capacity expansion currently underway should drive sales growth next year. On the product front, HD Hyundai Electric plans to complete development of a gas-insulated switchgear (GIS) product this year to capture growing demand for eco-friendly solutions. It is also in talks with several major tech firms to secure orders for data center-related products.

Rally underway: Shares are already up 19% ytd. While this rally has somewhat reduced the stock's short-term valuation appeal, we believe the longer-term outlook remains rosy. Earnings growth and a recovery in peer valuations should help alleviate the valuation burden over time.

This year's earnings are also benefiting from more-favorable external conditions (*eg*, forex rates) and stronger-than-forecast price hikes. If the company recoups tariff-related costs recognized last year, there would be some room for us to raise earnings forecasts further. We revise up our 2026 earnings forecast by 7%. Valuations of overseas power equipment companies have been recovering recently, and those of Korean machinery companies are also trending higher.

Reflecting our new earnings forecasts and the changing valuations of peers, we lift our target price to KRW1,020,000. Our new target is based on a P/E multiple of 35x (the same multiple we use to value its rival and in line with the average of major Korean machinery companies (KRX Machinery & Equipment Index).

HD Hyundai Electric: Guidance

	2026 guidance	2025 guidance	Chg (%)	Consensus	Diff (%)
Sales (KRWb)	4,350	3,892	11.8	4,786	-9.1
New orders (USDm)	4,222	3,822	10.5	n/a	n/a

Source: Company data, FnGuide

HD Hyundai Electric: Guidance vs actual

(KRWb)	Guidance	Actual	Diff (%)
2023	2,546	2,703	6.2
2024*	3,302	3,322	0.6
2025E	3,892	4,168**	7.1

Note: *Some revenue from 4Q24 was not recognized due to the changes in accounting policies;
**Our forecast

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,703**	**3,322**	**4,168**	**4,736**	**5,000**
Cost of goods sold	2,092	2,278	2,733	2,918	3,029
Gross profit	**610**	**1,045**	**1,435**	**1,818**	**1,971**
Gross margin (%)	22.6	31.4	34.4	38.4	39.4
SG&A expenses	295	376	447	495	520
Operating profit	**315**	**669**	**988**	**1,322**	**1,452**
Operating margin (%)	11.7	20.1	23.7	27.9	29.0
Non-operating gains (losses)	**-5**	**-19**	**-97**	**39**	**41**
Financial profit	66	146	209	122	140
Financial costs	110	153	336	102	119
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	40	-12	30	18	20
Pre-tax profit	**311**	**650**	**891**	**1,361**	**1,493**
Taxes	51	152	214	320	351
Effective tax rate (%)	16.4	23.3	24.0	23.5	23.5
Profit from continuing operations	259	498	677	1,041	1,142
Profit from discontinued operations	0	0	0	0	0
Net profit	**259**	**498**	**677**	**1,041**	**1,142**
Net margin (%)	9.6	15.0	16.2	22.0	22.8
Net profit (controlling interests)	259	502	677	1,041	1,142
Net profit (non-controlling interests)	0	-3	0	0	0
EBITDA	368	734	1,053	1,387	1,517
EBITDA margin (%)	13.6	22.1	25.3	29.3	30.3
EPS (parent-based) (KRW)	7,189	13,914	18,786	28,887	31,679
EPS (consolidated) (KRW)	7,198	13,827	18,786	28,887	31,679
Adjusted EPS (KRW)*	7,189	13,914	18,786	28,887	31,679

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,973**	**2,764**	**3,943**	**5,243**	**6,571**
Cash & equivalents	176	570	929	1,584	2,295
Accounts receivable	601	797	1,119	1,427	1,644
Inventories	850	1,081	1,370	1,622	1,849
Other current assets	346	316	525	609	784
Fixed assets	**937**	**1,032**	**1,124**	**1,175**	**1,196**
Investment assets	8	6	7	7	7
Tangible assets	624	730	824	868	883
Intangible assets	70	66	64	71	77
Other long-term assets	235	230	230	230	230
Total assets	**2,910**	**3,796**	**5,067**	**6,418**	**7,767**
Current liabilities	**1,497**	**2,001**	**2,222**	**2,429**	**2,495**
Accounts payable	276	326	400	454	479
Short-term debt	341	20	200	200	150
Other current liabilities	880	1,655	1,622	1,775	1,865
Long-term liabilities	**356**	**287**	**882**	**1,227**	**1,639**
Bonds & long-term debt	274	167	172	127	102
Other long-term liabilities	82	120	710	1,100	1,537
Total liabilities	**1,853**	**2,288**	**3,104**	**3,656**	**4,133**
Owners of parent equity	**1,048**	**1,502**	**1,963**	**2,762**	**3,634**
Capital stock	180	180	180	180	180
Capital surplus	402	402	402	402	402
Retained earnings	397	816	1,277	2,077	2,948
Other	69	104	104	104	104
Non-controlling interests' equity	**9**	**6**	**0**	**0**	**0**
Total equity	**1,057**	**1,508**	**1,963**	**2,762**	**3,634**
Net debt	515	-310	-622	-1,338	-2,127

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**-22**	**1,034**	**323**	**800**	**855**
Net profit	259	498	677	1,041	1,142
Non-cash profit and expenses	65	174	288	181	212
Depreciation	44	57	65	65	65
Amortization	8	9	5	5	5
Other	12	109	218	111	142
Changes in A/L from operating activities	-347	361	-642	-422	-499
Cash flow from investments	**-93**	**-143**	**-149**	**-100**	**-70**
Change in tangible assets	-75	-121	-149	-100	-70
Change in financial assets	2	-4	0	0	0
Other	-20	-18	0	0	0
Cash flow from financing	**118**	**-518**	**185**	**-45**	**-75**
Change in debt	146	-345	185	-45	-75
Change in equity	0	0	0	0	0
Dividends	-18	-76	-216	-242	-270
Other	-9	-97	216	242	270
Change in cash	3	394	359	655	710
Cash at beginning of year	173	176	570	929	1,584
Cash at end of year	176	570	929	1,584	2,295
Gross cash flow	**324**	**672**	**965**	**1,222**	**1,354**
Free cash flow	**-98**	**912**	**174**	**700**	**785**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	28.4	22.9	25.4	13.6	5.6
Operating profit	136.9	112.2	47.7	33.8	9.8
Net profit	60.1	92.1	35.9	53.8	9.7
Adjusted EPS**	59.5	93.5	35.0	53.8	9.7
Per-share data (KRW)					
EPS (parent-based)	7,189	13,914	18,786	28,887	31,679
EPS (consolidated)	7,198	13,827	18,786	28,887	31,679
Adjusted EPS**	7,189	13,914	18,786	28,887	31,679
BVPS	29,077	41,662	54,448	76,635	100,814
DPS (common)	1,000	5,350	6,000	6,700	7,500
Valuations (x)					
P/E***	127.0	65.6	48.6	31.6	28.8
P/B***	31.4	21.9	16.8	11.9	9.1
EV/EBITDA	90.9	44.4	30.7	22.8	20.3
Ratios (%)					
ROE	27.7	39.3	39.1	44.1	35.7
ROA	9.7	15.0	15.3	18.1	16.1
ROIC	17.7	33.8	45.1	46.5	41.6
Payout ratio	13.9	38.4	31.9	23.2	23.7
Dividend yield (common)	0.1	0.6	0.7	0.7	0.8
Net debt to equity	48.7	-20.6	-31.7	-48.4	-58.5
Interest coverage (x)	8.0	22.6	51.2	58.0	73.2

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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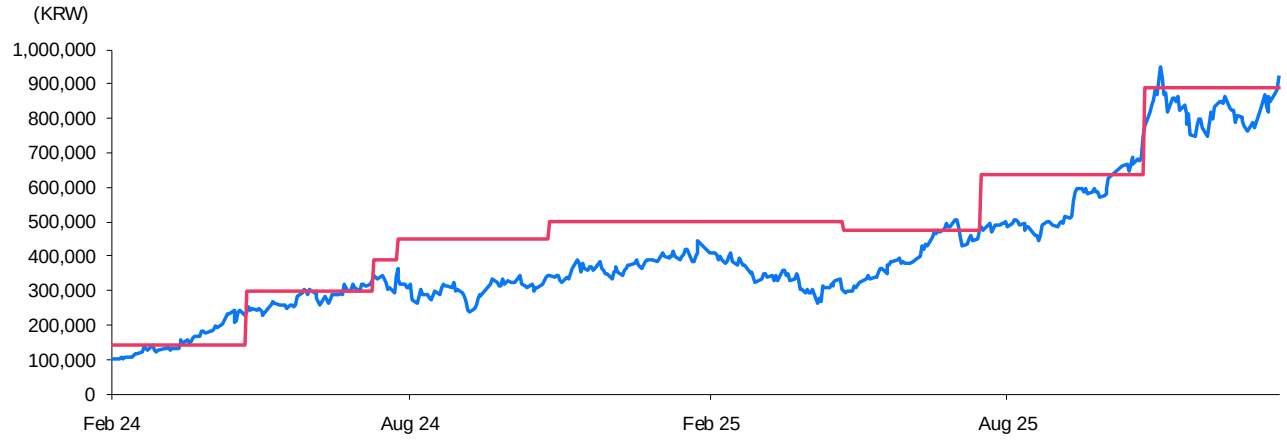

Rating changes over past two years (adjusted share prices)

Date	2023/10/25	2024/1/18	1/24	4/23	7/10	7/24	10/25	2025/4/23	7/16	10/24	2026/1/15
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	106000	125000	140000	300000	390000	450000	502000	474000	635000	890000	1020000
Gap* (average)	-20.95	-20.19	8.86	-6.68	-16.61	-32.58	-28.52	-14.10	-14.26	-6.86	
(max or min)**	-9.81	-19.52	74.29	8.83	-11.28	-23.89	-11.35	7.17	17.48	6.63	

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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