COMPANY UPDATE

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Tech Team

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Samsung SDS (018260)

Growth drivers in place, but time needed

- Samsung SDS saw 4Q25 sales and operating profit fall 3% and 5.9 y-y (the latter missing consensus by 5.9%) due to order delays from major clients and falling shipping rates.
- Although 2026 sales guidance has been lowered to a mid-to-high single digit, the company's long-term growth drivers remain intact, including: 1) increased capital spending by group affiliates; 2) Enterprise ChatGPT reselling; and 3) new data center business

WHAT'S THE STORY?

4Q review: Samsung SDS saw 4Q25 sales down 2.9% y-y to KRW3,536.8b (3.8% short of consensus) due to slowing growth in IT services and a reduction in logistics revenue stemming from a drop in freight shipping rates. While cloud revenue expanded 14.7% y-y, IT services revenue crept up 2.3% y-y as system integration (SI) and IT outsourcing (ITO) revenues diminished y-y on project delays at key clients. Thanks to efforts to lift profitability, operating profit from IT services expanded 10% y-y, but the firm's 4Q operating profit grew just 6.9% (5.9% below consensus) as logistics operating profit slumped 12.2% y-y.

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AT A GLANCE

BUY

Target price	KRW230,000	35.9%
Current price	**KRW169,200**	
Market cap	KRW13.1t/USD8.9b	
Shares (float)	77,377,800 (50.9%)	
52-week high/low	KRW193,500/KRW109,600	
Avg daily trading value (60-day)	KRW35.9b/ USD24.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung SDS (%)	-0.4	-5.1	34.2
Vs Kospi (%pts)	-17.4	-39.2	-31.0

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	230,000	230,000	0.0%
2025E EPS	10,050	10,237	-1.8%
2026E EPS	11,170	11,675	-4.3%

SAMSUNG vs THE STREET

No of estimates	10
Target price	213,000
Recommendation	4.0

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

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	13,828	13,930	14,526	15,489
Operating profit	911	957	1,029	1,123
Net profit (adj)	790	783	874	973
EPS (adj) (KRW)	9,302	10,050	11,170	12,402
EPS (adj) growth (% y-y)	7.2	8.0	11.2	11.0
EBITDA margin (%)	11.0	11.3	11.4	11.3
ROE (%)	8.4	7.9	8.4	8.8
P/E (adj) (x)	13.7	17.1	15.1	13.6
P/B (x)	1.1	1.4	1.3	1.2
EV/EBITDA (x)	3.4	5.0	4.0	3.1
Dividend yield (%)	2.3	1.9	2.1	2.3

Source: Company data, Samsung Securities estimates

AX growth story still valid—but with a lag between operating results and expectations: Samsung SDS' long-term growth drivers remain intact, including: 1) increased capital spending by group affiliates; 2) Enterprise ChatGPT reselling; and 3) expansion of GPU-as-a-Service and data center design-build-operate (DBO) projects. Opening of the Dongtan data center west wing and the Enterprise ChatGPT reselling—both scheduled early this year—should contribute to near-term earnings. However, the Gumi AI data center and the National AI Computing Center are set to open in 2029, so it should take time for their impact to be reflected in operating results. Group affiliates are also likely to ramp up IT investments more significantly from 2H26. Company guidance has its 2026 capex reaching KRW500b (vs KRW364.8b in 2025), with revenue and operating profit growth to be around the mid-single digits.

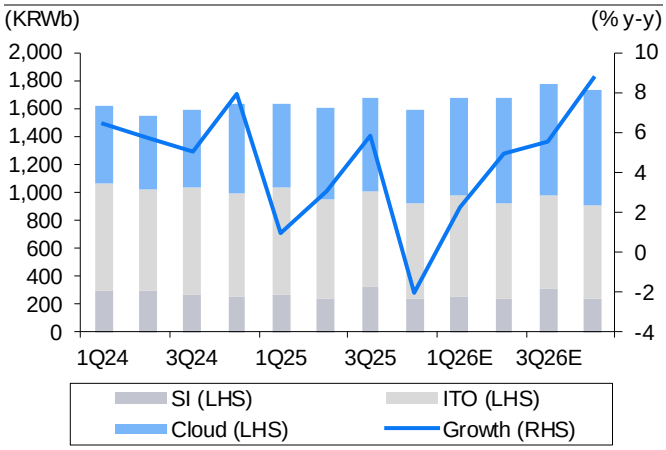
Solid upside: We maintain BUY rating and KRW230,000 target price (calculated by applying the domestic and foreign IT service peer average P/E of 20.6x to the 12-month forward EPS). While the firm's 1H26 growth may fall short of market expectations, we anticipate a rebound from 2H26 as the company begins executing orders received from key clients. Despite recent gains in the stock price, Samsung SDS is trading at a 2026 P/E of 15.2x, which implies upside potential compared to global peers.

4Q review

(KRWb)	4Q25			Diff (%)		4Q24	3Q25	Chg	
	Result	Samsung	Consensus	Samsung	Consensus			(% y-y)	(% q-q)
Sales	**3,537**	**3,780**	**3,677**	**(6.4)**	**(3.8)**	**3,642**	**3,391**	**(2.9)**	**4.3**
IT service	1,669	1,821		(8.4)		1,632	1,596	2.3	4.6
Logistics	1,868	1,958		(4.6)		2,010	1,796	(7.1)	4.0
Cost of goods sold	**3,023**	**3,277**		**(7.7)**		**3,136**	**2,894**	**(3.6)**	**4.5**
Operating expenses	**288**	**262**		**9.8**		**295**	**265**	**(2.5)**	**8.6**
Labor & welfare	185	190		(2.4)		180	172	2.9	8.0
R&D	25	24		1.9		22	23	10.5	8.0
D&A	17	18		(4.6)		17	17	(2.9)	1.1
Others	61	30		100.7		75	54	(18.9)	12.9
Operating profit	**226**	**241**	**240**	**(6.1)**	**(5.9)**	**212**	**232**	**6.9**	**(2.7)**
Pre-tax profit	259	282	289	(7.9)	(10.2)	281	278	(7.8)	(6.7)
Net profit	188	208	220	(9.8)	(14.7)	196	201	(4.3)	(6.6)
Net profit (controlling interests)	182	202	208	(9.9)	(12.2)	190	195	(4.0)	(6.6)
Margins (%)									
Operating profit	6.4	6.4	6.5			5.8	6.8		
Pre-tax profit	7.3	7.5	7.9			7.7	8.2		
Net profit	5.3	5.5	6.0			5.4	5.9		
Net profit (controlling)	5.2	5.4	5.6			5.2	5.8		

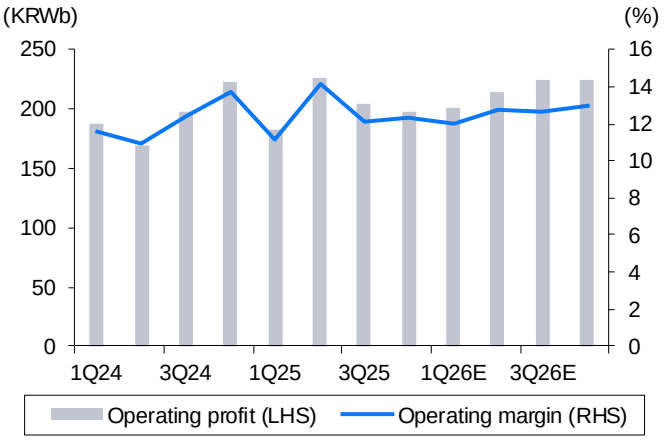
Source: Company data, FnGuide, Samsung Securities estimates

IT services: Quarterly sales



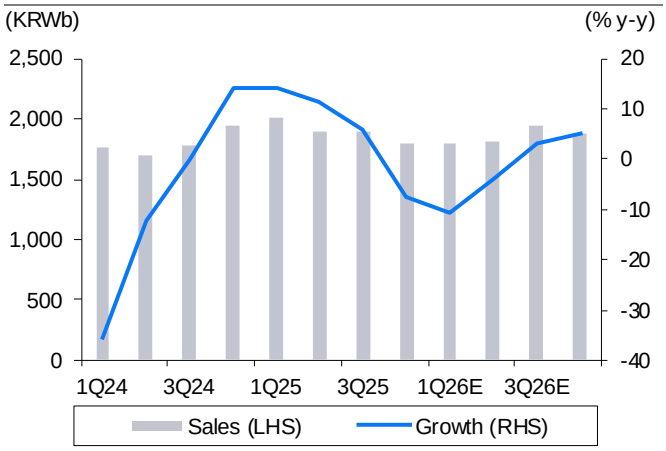
Source: Company data, Samsung Securities estimates

IT services: Quarterly operating profit



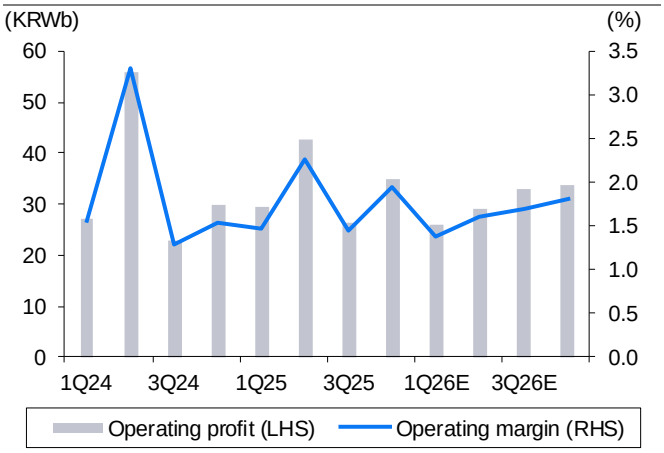
Source: Company data, Samsung Securities estimates

Logistics: Quarterly sales



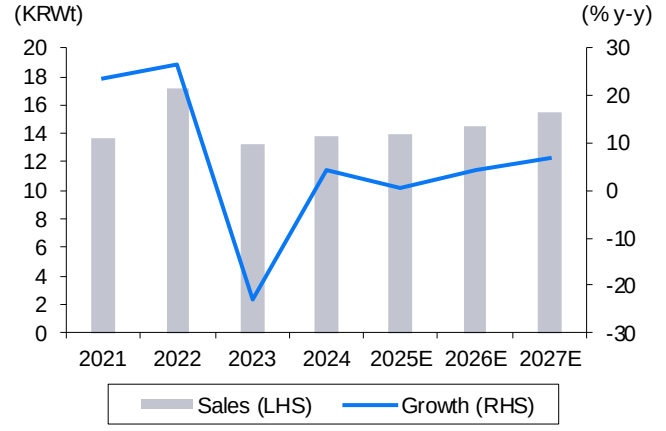
Source: Company data, Samsung Securities estimates

Logistics: Quarterly operating profit



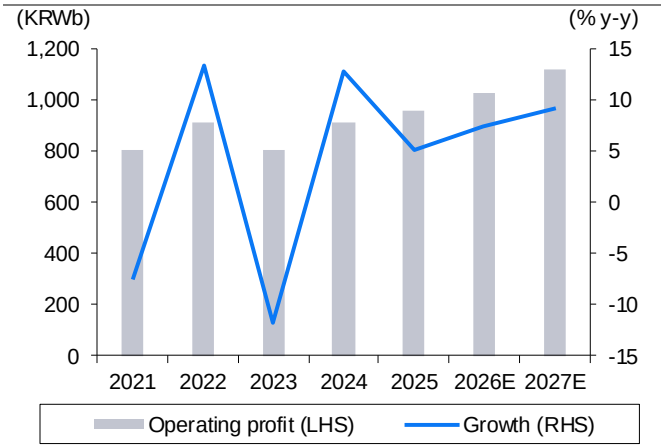
Source: Company data, Samsung Securities estimates

Annual sales



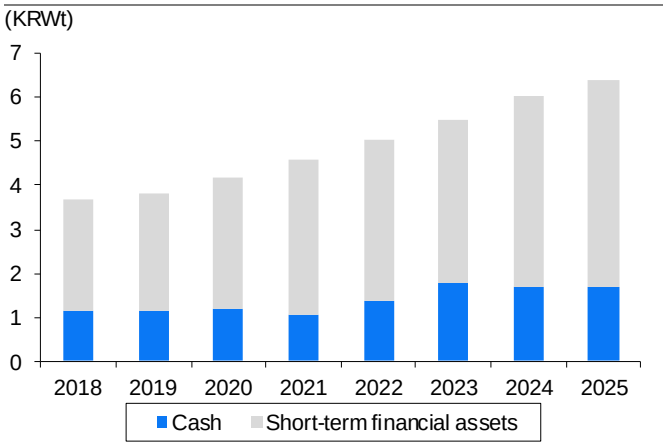
Source: Company data, Samsung Securities estimates

Annual operating profit



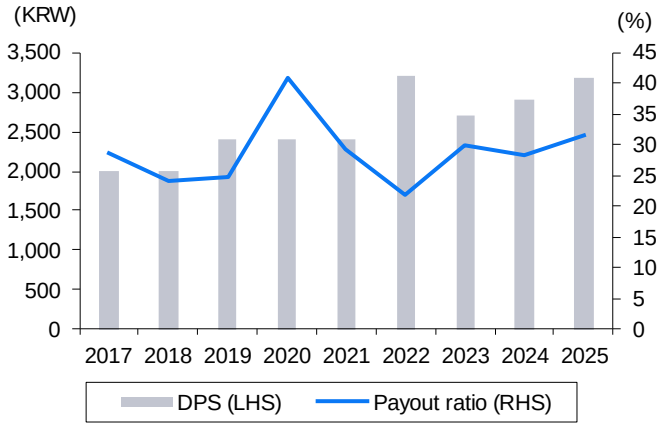
Source: Company data, Samsung Securities estimates

Cash and short-term financial assets



Source: Company data, Samsung Securities estimates

DPS and payout ratio



Source: Company data, Samsung Securities estimates

Samsung SDS valuation

(KRW)	
12-month-forward EPS	11,170
Target P/E (x) *	20.6
Fair value	229,662
Target price	**230,000**
Current price	170,300
Upside (%)	35.1

Note: *Average 2026 P/E of global IT service peers;
As of Jan 22
Source: Samsung Securities estimates

Major IT service peers: P/E valuation

(x)	2025E	2026E
LG CNS	15.9	13.9
Hyundai AutoEver	67.0	55.7
Lotte Innovate	16.0	11.6
IBM	26.2	24.4
Infosys	26.2	23.7
Wipro	19.5	18.5
Capgemini	11.2	10.5
Cognizant	16.0	14.9
NTT INC	12.2	11.9
Average	**23.3**	**20.6**

Note: As of Jan 22
Source: Bloomberg

Quarterly results and forecasts

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E
Sales	**3,247**	**3,369**	**3,570**	**3,642**	**3,490**	**3,512**	**3,391**	**3,537**	**3,493**	**3,717**	**3,620**	**3,696**
IT service	1,554	1,586	1,630	1,632	1,600	1,678	1,596	1,669	1,679	1,771	1,734	1,818
Logistics	1,694	1,783	1,940	2,010	1,889	1,834	1,796	1,868	1,814	1,946	1,885	1,878
Cost of goods sold	**2,757**	**2,869**	**3,054**	**3,136**	**2,944**	**2,989**	**2,894**	**3,023**	**2,983**	**3,189**	**3,088**	**3,142**
Operating expenses	**264**	**279**	**263**	**295**	**277**	**293**	**265**	**288**	**266**	**270**	**273**	**287**
Labor & welfare	170	169	166	180	182	183	172	185	187	189	191	202
R&D	21	23	23	22	21	23	23	25	25	25	25	27
D&A	19	18	17	17	17	17	17	17	17	18	19	20
Others	53	68	58	75	58	69	54	61	37	38	38	39
Operating profit	**226**	**221**	**253**	**212**	**269**	**230**	**232**	**226**	**244**	**258**	**259**	**267**
Pre-tax profit	302	264	255	281	302	237	278	259	278	292	302	310
Net profit	217	191	186	196	218	176	201	188	206	216	223	229
Net profit (controlling interests)	211	177	180	190	211	171	195	182	199	210	217	222
Adjusted EPS (KRW)	2,390	2,187	2,568	2,156	2,749	2,465	2,429	2,407	2,638	2,784	2,822	2,927
Margin (%)												
Operating margin	7.0	6.6	7.1	5.8	7.7	6.6	6.8	6.4	7.0	6.9	7.2	7.2
Pre-tax margin	9.3	7.8	7.1	7.7	8.6	6.7	8.2	7.3	8.0	7.9	8.3	8.4
Net profit margin	6.7	5.7	5.2	5.4	6.2	5.0	5.9	5.3	5.9	5.8	6.2	6.2
Net profit margin (controlling)	6.5	5.2	5.0	5.2	6.1	4.9	5.8	5.2	5.7	5.6	6.0	6.0

Source: Company data, Samsung Securities estimates

Revisions to full-year forecasts

(KRWb)	2025E			2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)	Old	New	Diff (%)
Sales	**14,173**	**13,930**	**(1.7)**	**15,219**	**14,526**	**(4.6)**	**16,366**	**15,489**	**(5.4)**
IT service	6,696	6,544	(2.3)	7,365	7,002	(4.9)	8,114	7,664	(5.5)
Logistics	7,477	7,386	(1.2)	7,854	7,523	(4.2)	8,253	7,825	(5.2)
Cost of goods sold	12,104	11,850	(2.1)	13,043	12,401	(4.9)	13,956	13,166	(5.7)
Operating expenses	1,097	1,123	2.4	1,095	1,096	0.1	1,219	1,201	(1.5)
Labor & welfare	729	722	(1.0)	796	768	(3.5)	895	833	(6.9)
R&D	**90**	**91**	**1.2**	**101**	**102**	**0.8**	**114**	**110**	**(2.8)**
D&A	70	68	(2.3)	72	74	2.1	75	89	17.9
Others	208	242	16.1	126	152	20.6	135	168	24.4
Operating profit	972	957	(1.5)	1,081	1,029	(4.9)	1,191	1,123	(5.8)
Pre-tax profit	1,098	1,076	(2.0)	1,247	1,181	(5.2)	1,400	1,315	(6.1)
Net profit	803	783	(2.6)	922	874	(5.2)	1,036	973	(6.1)
Net profit (controlling interests)	**780**	**760**	**(2.6)**	**895**	**848**	**(5.3)**	**1,006**	**944**	**(6.1)**
Adjusted EPS (KRW)	10,237	10,050	(1.8)	11,675	11,170	(4.3)	13,080	12,402	(5.2)
Margins (%)									
Operating profit	6.9	6.9		7.1	7.1		7.3	7.2	
Pre-tax profit	7.7	7.7		8.2	8.1		8.6	8.5	
Net profit	5.7	5.6		6.1	6.0		6.3	6.3	
Net profit (controlling)	5.5	5.5		5.9	5.8		6.1	6.1	

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**13,277**	**13,828**	**13,930**	**14,526**	**15,489**
Cost of goods sold	11,481	11,816	11,850	12,401	13,166
Gross profit	**1,796**	**2,012**	**2,080**	**2,124**	**2,323**
Gross margin (%)	13.5	14.6	14.9	14.6	15.0
SG&A expenses	988	1,101	1,123	1,096	1,201
Operating profit	**808**	**911**	**957**	**1,029**	**1,123**
Operating margin (%)	6.1	6.6	6.9	7.1	7.2
Non-operating gains (losses)	**177**	**192**	**119**	**153**	**193**
Financial profit	287	329	300	327	365
Financial costs	139	155	177	164	161
Equity-method gains (losses)	6	3	6	6	6
Other	23	15	-10	-16	-17
Pre-tax profit	**986**	**1,103**	**1,076**	**1,181**	**1,315**
Taxes	284	313	293	307	342
Effective tax rate (%)	28.8	28.4	27.2	26.0	26.0
Profit from continuing operations	701	790	783	874	973
Profit from discontinued operations	0	0	0	0	0
Net profit	**701**	**790**	**783**	**874**	**973**
Net margin (%)	5.3	5.7	5.6	6.0	6.3
Net profit (controlling interests)	693	757	760	848	944
Net profit (non-controlling interests)	8	33	23	26	29
EBITDA	1,421	1,518	1,579	1,653	1,748
EBITDA margin (%)	10.7	11.0	11.3	11.4	11.3
EPS (parent-based) (KRW)	8,962	9,783	9,816	10,962	12,206
EPS (consolidated) (KRW)	9,064	10,203	10,115	11,299	12,580
Adjusted EPS (KRW)*	8,675	9,302	10,050	11,170	12,402

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**8,160**	**9,004**	**9,726**	**11,087**	**12,587**
Cash & equivalents	1,788	1,669	2,017	3,030	3,972
Accounts receivable	1,482	1,720	1,698	1,775	1,898
Inventories	24	19	17	18	19
Other current assets	4,867	5,596	5,994	6,264	6,699
Fixed assets	**4,161**	**4,235**	**3,810**	**3,191**	**2,574**
Investment assets	145	156	159	164	172
Tangible assets	1,654	1,774	1,594	1,000	406
Intangible assets	819	814	813	782	751
Other long-term assets	1,543	1,490	1,245	1,245	1,245
Total assets	**12,321**	**13,238**	**13,537**	**14,277**	**15,161**
Current liabilities	**2,392**	**2,495**	**2,455**	**2,554**	**2,713**
Accounts payable	693	707	638	667	713
Short-term debt	0	0	0	0	0
Other current liabilities	1,699	1,788	1,817	1,887	2,000
Long-term liabilities	**954**	**1,037**	**907**	**922**	**945**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	954	1,037	907	922	945
Total liabilities	**3,345**	**3,533**	**3,363**	**3,476**	**3,658**
Owners of parent equity	**8,658**	**9,333**	**9,823**	**10,424**	**11,097**
Capital stock	39	39	39	39	39
Capital surplus	1,297	1,297	1,297	1,297	1,297
Retained earnings	7,447	7,995	8,530	9,132	9,805
Other	-125	2	-44	-44	-44
Non-controlling interests' equity	**318**	**372**	**351**	**377**	**406**
Total equity	**8,976**	**9,705**	**10,174**	**10,801**	**11,503**
Net debt	-4,623	-5,040	-5,660	-6,876	-8,144

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**1,461**	**1,238**	**1,225**	**1,465**	**1,544**
Net profit	701	790	783	874	973
Non-cash profit and expenses	808	891	874	761	755
Depreciation	564	553	591	594	594
Amortization	49	54	31	31	31
Other	196	284	251	136	130
Changes in A/L from operating activities	-106	-252	-251	-32	-51
Cash flow from investments	**-622**	**-1,069**	**-413**	**-205**	**-327**
Change in tangible assets	-445	-473	-207	0	0
Change in financial assets	-66	-652	-140	-203	-326
Other	-111	56	-66	-3	-1
Cash flow from financing	**-463**	**-423**	**-443**	**-247**	**-271**
Change in debt	-1	116	-131	0	0
Change in equity	0	0	0	0	0
Dividends	-251	-216	-233	-247	-271
Other	-211	-323	-78	0	0
Change in cash	396	-119	348	1,013	942
Cash at beginning of year	1,392	1,788	1,669	2,017	3,030
Cash at end of year	1,788	1,669	2,017	3,030	3,972
Gross cash flow	**1,510**	**1,680**	**1,656**	**1,635**	**1,729**
Free cash flow	**1,010**	**763**	**1,016**	**1,465**	**1,544**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-23.0	4.2	0.7	4.3	6.6
Operating profit	-11.8	12.7	5.0	7.5	9.2
Net profit	-37.9	12.6	-0.9	11.7	11.3
Adjusted EPS**	-30.7	7.2	8.0	11.2	11.0
Per-share data (KRW)					
EPS (parent-based)	8,962	9,783	9,816	10,962	12,206
EPS (consolidated)	9,064	10,203	10,115	11,299	12,580
Adjusted EPS**	8,675	9,302	10,050	11,170	12,402
BVPS	111,933	120,661	126,990	134,765	143,466
DPS (common)	2,700	2,900	3,190	3,509	3,860
Valuations (x)					
P/E***	19.6	13.7	17.1	15.1	13.6
P/B***	1.5	1.1	1.4	1.3	1.2
EV/EBITDA	6.2	3.4	5.0	4.0	3.1
Ratios (%)					
ROE	8.2	8.4	7.9	8.4	8.8
ROA	5.8	6.2	5.8	6.3	6.6
ROIC	13.0	14.3	15.0	17.8	22.4
Payout ratio	30.1	29.6	32.5	32.0	31.6
Dividend yield (common)	1.6	2.3	1.9	2.1	2.3
Net debt to equity	-51.5	-51.9	-55.6	-63.7	-70.8
Interest coverage (x)	21.2	18.2	18.7	20.0	21.8

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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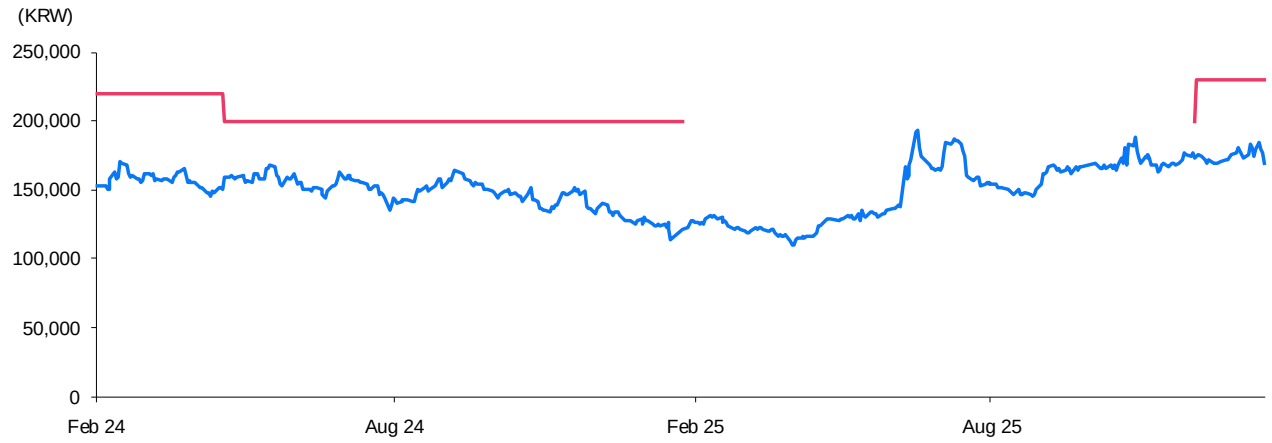
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/11/29	2024/1/26	4/26	12/11
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	190000	220000	200000	230000
Gap* (average)	-12.10	-28.76	-26.45	
(max or min)**	-9.47	-22.68	-16.00	

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 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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