COMPANY UPDATE

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EV/Mobility Team

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Haesung DS (195870)

4Q review; drivers behind rising lead frame orders

- Haesung DS reported a double-digit operating margin for the first time in six quarters, supported by strong sales of package substrate and improved profitability of lead frames. On the non-operating side, continued losses at the Philippine subsidiary led to goodwill impairment.
- Lead frame orders and prices have risen, likely due to increased demand for lead frames used in low-level control systems as AI robot production ramps up. DDR5 substrate sales have shown steady growth each quarter.
- Earnings should remain strong in 1Q on growth in both lead frame orders and sales of DDR5 substrates. We raise our target price and reiterate BUY.

WHAT'S THE STORY?

Raising target price by 16.7% to KRW70,000: We increase our 2026 and 2027 earnings forecasts for Haesung DS to reflect robust 4Q results and strong industry conditions. We arrive at our new target price by applying a P/E multiple of 13.7x to our 2026 EPS forecast.

- **Target P/E multiple raised 10% to 13.7x:** To reflect a shift in market perception of legacy chips (a key market for Haesung DS) driven by the advent of the physical AI era and a rise in global substrate peer valuations, we raise our target P/E to 13.7x, which implies a 50% discount to the peer group's 2026 average (Bloomberg). Since the pandemic, Haesung DS has traded between 5.7x P/E and 17.5x, showing significant volatility due both to downstream industry conditions and to global chip shortages. Historically, the stock has traded at a 30-50% discount to peers in lead frames and package substrates. Haesung DS is the world's second-largest player in the lead frame market, but sentiment has been cautious as global demand is thought to be stagnant and the Korean firm is a late-starter in the package substrate market.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW70,000	17.6%
Current price	KRW59,500	
Market cap	KRW1.0t/USD0.7b	
Shares (float)	17,000,000 (61.8%)	
52-week high/low	KRW59,500/KRW18,000	
Avg daily trading value (60-day)	KRW16.4b/ USD11.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Haesung DS (%)	8.2	147.4	124.1
Vs Kospi (%pts)	-9.7	59.8	14.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	70,000	60,000	16.7%
2025E EPS	1,383	1,966	-29.7%
2026E EPS	5,035	4,670	7.8%

SAMSUNG vs THE STREET

No of estimates	10
Target price	67,600
Recommendation	4.0

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	179.9	23.9	0.7	-5.7	-1.7
Operating profit	21.8	247.8	35.3	13.4	13.2
Pre-tax profit	14.6	-0.7	-22.5	-43.2	-32.3
Net profit	9.3	-24.1	-33.9	-51.6	-44.3
Margins (%)					
Operating profit	12.1				
Pre-tax profit	8.1				
Net profit	5.2				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuations (x)			
P/E	6.8	40.3	11.8
P/B	0.7	1.7	1.6
EV/EBITDA	4.1	9.7	6.0
Div yield (%)	3.4	1.4	1.7
EPS growth (% y-y)	-30.5	-59.9	264.1
ROE (%)	11.0	4.2	14.2
Per-share data (KRW)			
EPS	3,453	1,383	5,035
BVPS	32,722	33,305	37,540
DPS	800	800	1,000

- **Low-level robot control to prompt reevaluation of legacy chips:** While high-performance chips (GPUs/SoCs) are used for inference and decision-making in robots, real-time sensing (cognition) and low-level motor control (body balance and movement) rely on power semiconductors, MCUs, and communication chips. As the robotics industry grows, demand for these legacy semiconductors and lead frames should rise, changing how the market views legacy chips. We anticipate a rerating of Haesung DS, the world's second-largest lead frame manufacturer. Its valuation discount to peers should narrow as its robotics-related sales become visible.
- **Lead frame orders rise:** Spiking copper prices have led clients to adjust their inventory policies, increasing stock from a 4-week to a 6-week supply. Despite ongoing weakness in automotive demand, lead frame orders from clients have increased, and the company has successfully passed through higher raw material costs—a trend we attribute to the impact of robotics production. Profitability has risen above 15% since 4Q25.
- **DDR5-related sales:** DDR5 package substrate sales began in Apr 2025 and have shown steady growth each quarter. Sales should surge from 3Q26, with the addition of supply from the China plant.

4Q review—a quarter without clients' destocking: Lead frames saw stagnant q-q sales, but were highly profitable. Package substrates generated greater sales, and returned above break-even point. Haesung DS reported 4Q25 sales of KRW179.9b (+0.7% q-q and +23.9% y-y) and an operating profit of KRW21.8b (+35.3% q-q and +248% y-y) for an operating margin of 12.1%.

- **Lead frame sales at KRW130.9b (-2.8% q-q but +14.8% y-y):** The firm's automotive lead frame sales hit KRW84.6b (flat q-q and +11.1% y-y), representing 47% of its sales. Its automotive lead frame sales were flat q-q. However, lead frame profitability rose to over 15%, as raw material price increases were successfully passed on to customers.
- **Package substrate sales at KRW51.1b (+9.4% q-q and +62.7% y-y):** 1) The company's DDR5 package substrate shipments to a domestic client began in Apr 2025, and triple the amount was shipped to the domestic client's Chinese plant in Jul 2025. With DDR4 and DDR5 sales growing each quarter, its total package substrate sales surpassed KRW50b. It turned profitable.

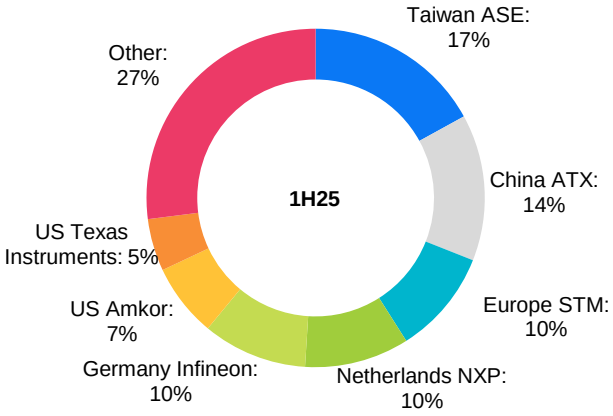
  2) DDR4 prices surged after most global chipmakers said they will discontinue DDR4 production starting 2026. With PC production necessitating DDR4 inventory restocking, they decided to delay ending DDR4 production until end-2026. Haesung DS is a dominant player in DDR4 substrates, with an 80% market share. Its quarterly sales are likely to reach KRW12b-15b until end-2026.
- **Non-operating weakness:** The Philippine plant recorded a third consecutive year of losses, leading to goodwill impairment. Non-operating profit should normalize in 2026 following one-off events in 4Q25.
- **2025 DPS estimated at KRW800-900 (flat-up 12% y-y):** Haesung DS is likely to show a dividend payout ratio of 57.8-65.1%. We expect a dividend yield of 1.5%.

1Q preview: We expect the company to report 1Q26 sales of KRW187b (+36.2% y-y) and an operating profit of KRW24.9b (+7,025% y-y), for an operating margin of 13.3%. The lead frame business should see increases in both sales and profitability. The package substrate business should restore profitability, supported by DDR5-related sales growth. FnGuide consensus puts sales at KRW191.4b and operating profit at KRW22.6b, for an operating margin of 11.8%.

Cooperative robot smart actuator and PCB

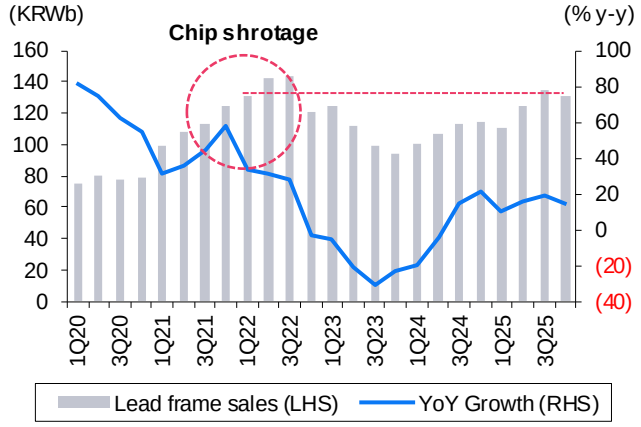
Source: Google Image

Haesung DS: Lead frame sales, by customer (1H25)



Source: Company data, Samsung Securities

Lead frame sales heading into a chip shortage cycle



Source: Company data, Samsung Securities

Global lead frame market shares

	M/S (%)
Mitsui High-tec	11
Haesung DS	9
CWTC	8
Shinko	8

Source: Haesung DS, Samsung Securities

Comparison of legacy semiconductor demand: EVs vs. Humanoid robots

(Units)	EVs	Humanoid robots
Number of motors	2-10	30-40
Inverters	1-2	30+
MCU	50-100	100+
Sensors	Camera, LiDAR, radar	Joints, force, posture, multi-vision

Source: Samsung Securities

Haesung DS: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (avg)	1,453	1,400	1,387	1,452	1,430	1,420	1,400	1,400	1,365	1,422	1,413	1,370
Revenue	137	157	179	180	187	186	194	209	603	653	777	925
Growth (% y-y)	-11.2	2.5	19.5	23.9	36.2	17.9	8.9	16.4	-10.3	8.4	18.9	19.1
Lead frame	111	124	135	131	131	121	124	128	434	504	503	533
Package substrate	28	34	47	51	57	65	70	82	169	160	274	392
Gross profit	14	22	27	42	41	44	44	51	111	105	179	223
Operating profit	0.4	8.2	16.1	21.8	24.9	27.3	27.1	32.7	56.9	46.5	112.0	146.9
Growth (% y-y)	-98.3	-54.3	37.6	247.7	7,025.8	231.4	68.4	49.9	-44.5	-18.3	141.0	31.1
Pre-tax profit	0.0	-0.8	18.8	14.6	23.4	26.1	28.2	33.4	67.0	32.6	111.2	144.8
Net profit	0.6	-0.4	14.1	9.3	18.0	20.1	21.7	25.8	58.7	23.5	85.6	111.5
Growth (% y-y)	-97.0	-102.1	136.1	-24.1	3,002.6	흑전	54.5	176.9	-30.5	-59.9	264.1	30.2
Controlling profit	0.6	-0.4	14.1	9.3	18.0	20.1	21.7	25.8	58.7	23.5	85.6	111.5
Growth (% y-y)	-97.0	-102.1	136.1	-24.1	3,002.6	흑전	54.5	176.9	-30.5	-59.9	264.1	30.2
Margins (% y-y)												
Gross profit	9.9	13.9	15.1	23.4	22.1	23.6	22.5	24.1	18.5	16.0	23.1	24.1
Operating profit	0.3	5.2	9.0	12.1	13.3	14.7	14.0	15.6	9.4	7.1	14.4	15.9
Pre-tax profit	0.0	-0.5	10.5	8.1	12.5	14.1	14.5	16.0	11.1	5.0	14.3	15.6
Controlling profit	0.4	-0.3	7.9	5.2	9.6	10.8	11.2	12.3	9.7	3.6	11.0	12.0

Source: Company data, Samsung Securities estimates

Global semiconductor substrate manufacturers: Valuations

Company	Stock price		Performance (%)			Market cap		P/E (x)			P/B (x)			ROE (%)		
		(Local)	1M	3M	YTD	(Local bil.)	(USDb)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Lead frame manufacturers																
Mitsui High-Tec	JPY	755	1.1	-3.6	-19.0	149.0	1.0	11.9	16.5	12.7	1.3	1.2	1.1	11.5	6.6	9.6
SDI Electric	TWD	89	17.8	5.8	-3.9	16.2	0.5	39.9	23.3	19.2	2.3	2.1	2.0	6.2	9.3	10.6
ASM Pacific	HKD	103.1	32.5	14.6	40.1	43.1	5.5	127.3	32.8	22.5	2.7	2.5	2.3	1.5	8.0	10.7
Ningbo Kangqiang	CNY	22.5	35.1	21.4	27.5	8.4	1.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average								59.7	24.2	18.2	2.1	1.9	1.8	6.4	8.0	10.3
Package Substrate manufactures																
Unimicron	TWD	333.0	51.0	115.1	141.4	524.7	16.7	96.2	34.0	22.1	5.3	4.7	4.1	5.5	14.5	18.8
Ibiden	JPY	7,921	19.7	50.7	211.0	2231.5	14.5	73.5	52.4	37.1	4.3	4.2	3.8	6.1	8.2	10.8
Samsung Electro-mechanics	KRW	274,500	5.2	23.1	114.3	20503.4	14.2	30.9	20.1	16.0	2.3	2.1	1.9	7.5	10.7	12.1
Kinsus	TWD	208.0	40.6	44.9	119.3	98.3	3.1	62.5	30.0	23.0	2.9	2.7	2.4	4.4	8.4	10.1
LG Innotek	KRW	275,500	1.5	26.4	85.4	6520.3	4.5	13.9	11.0	9.3	1.1	1.0	1.0	8.4	10.0	10.3
Simmtech	KRW	52,100	4.3	-10.0	299.8	1945.5	1.3	n/a	16.5	10.7	4.0	3.3	2.5	-6.5	22.0	26.3
Daeduck Electronics	KRW	50,600	9.1	44.0	153.0	2500.5	1.7	54.9	18.7	14.4	2.9	2.5	2.2	5.3	14.1	15.8
Korea Circuit	KRW	65,500	63.3	231.6	542.8	1547.2	1.1	33.8	16.3	10.8	4.3	3.4	2.6	12.6	22.2	25.5
Average								52.2	24.9	17.9	3.4	3.0	2.6	5.4	13.8	16.2
Haesung DS	**KRW**	**59,500**	**8.2**	**32.4**	**124.1**	**997.9**	**0.7**	**29.6**	**13.0**	**10.7**	**1.7**	**1.6**	**1.4**	**6.0**	**12.4**	**13.4**

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**672**	**603**	**653**	**777**	**925**
Cost of goods sold	512	492	549	597	703
Gross profit	**161**	**111**	**105**	**179**	**223**
Gross margin (%)	23.9	18.5	16.0	23.1	24.1
SG&A expenses	58	55	58	67	76
Operating profit	**103**	**57**	**46**	**112**	**147**
Operating margin (%)	15.2	9.4	7.1	14.4	15.9
Non-operating gains (losses)	**3**	**10**	**-14**	**-1**	**-2**
Financial profit	4	3	1	1	2
Financial costs	5	3	4	3	3
Equity-method gains (losses)	0	0	0	0	0
Other	4	10	-12	1	-1
Pre-tax profit	**106**	**67**	**33**	**111**	**145**
Taxes	21	8	9	26	33
Effective tax rate (%)	20.2	12.3	27.9	23.0	23.0
Profit from continuing operations	84	59	24	86	111
Profit from discontinued operations	0	0	0	0	0
Net profit	**84**	**59**	**24**	**86**	**111**
Net margin (%)	12.6	9.7	3.6	11.0	12.0
Net profit (controlling interests)	84	59	24	86	111
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	147	107	107	176	210
EBITDA margin (%)	21.9	17.8	16.3	22.7	22.7
EPS (parent-based) (KRW)	4,966	3,453	1,383	5,035	6,556
EPS (consolidated) (KRW)	4,966	3,453	1,383	5,035	6,556
Adjusted EPS (KRW)*	4,966	3,453	1,383	5,035	6,556

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**344**	**322**	**277**	**356**	**481**
Cash & equivalents	140	84	20	50	117
Accounts receivable	103	117	127	151	180
Inventories	90	107	116	138	165
Other current assets	11	13	14	17	20
Fixed assets	**345**	**472**	**512**	**528**	**525**
Investment assets	0	0	0	0	0
Tangible assets	306	425	466	484	481
Intangible assets	23	32	31	29	28
Other long-term assets	16	15	15	15	15
Total assets	**689**	**794**	**790**	**884**	**1,006**
Current liabilities	**132**	**201**	**187**	**208**	**234**
Accounts payable	29	20	22	26	31
Short-term debt	33	73	73	73	73
Other current liabilities	70	108	92	109	130
Long-term liabilities	**42**	**36**	**37**	**38**	**39**
Bonds & long-term debt	33	26	26	26	26
Other long-term liabilities	9	10	11	12	13
Total liabilities	**174**	**238**	**223**	**246**	**273**
Owners of parent equity	**515**	**556**	**566**	**638**	**733**
Capital stock	85	85	85	85	85
Capital surplus	22	22	22	22	22
Retained earnings	408	449	459	531	625
Other	0	1	1	1	1
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**515**	**556**	**566**	**638**	**733**
Net debt	-60	43	84	54	-13

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**143**	**61**	**73**	**124**	**144**
Net profit	84	59	24	86	111
Non-cash profit and expenses	81	73	71	92	98
Depreciation	43	48	58	63	62
Amortization	1	2	2	2	1
Other	37	23	11	28	34
Changes in A/L from operating activities	30	-60	-11	-26	-31
Cash flow from investments	**-68**	**-144**	**-100**	**-80**	**-60**
Change in tangible assets	-94	-148	-100	-80	-60
Change in financial assets	30	-0	-0	-0	-0
Other	-4	4	-0	-0	-0
Cash flow from financing	**-11**	**27**	**-37**	**-14**	**-17**
Change in debt	4	47	-24	0	0
Change in equity	0	0	0	0	0
Dividends	-15	-15	-14	-14	-17
Other	-0	-5	0	0	0
Change in cash	63	-56	-64	30	67
Cash at beginning of year	76	140	84	20	50
Cash at end of year	140	84	20	50	117
Gross cash flow	**166**	**132**	**95**	**178**	**209**
Free cash flow	**49**	**-88**	**-27**	**44**	**84**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-19.9	-10.3	8.4	18.9	19.1
Operating profit	-49.9	-44.5	-18.3	141.0	31.1
Net profit	-47.0	-30.5	-59.9	264.1	30.2
Adjusted EPS**	-47.0	-30.5	-59.9	264.1	30.2
Per-share data (KRW)					
EPS (parent-based)	4,966	3,453	1,383	5,035	6,556
EPS (consolidated)	4,966	3,453	1,383	5,035	6,556
Adjusted EPS**	4,966	3,453	1,383	5,035	6,556
BVPS	30,297	32,722	33,305	37,540	43,096
DPS (common)	900	800	800	1,000	1,200
Valuations (x)					
P/E***	11.2	6.8	40.3	11.8	9.1
P/B***	1.8	0.7	1.7	1.6	1.4
EV/EBITDA	6.0	4.1	9.7	6.0	4.7
Ratios (%)					
ROE	17.5	11.0	4.2	14.2	16.3
ROA	12.5	7.9	3.0	10.2	11.8
ROIC	18.7	9.5	5.4	12.9	16.0
Payout ratio	18.1	23.2	57.8	19.9	18.3
Dividend yield (common)	1.6	3.4	1.4	1.7	2.0
Net debt to equity	-11.6	7.8	14.8	8.4	-1.8
Interest coverage (x)	22.0	17.9	13.1	35.3	46.2

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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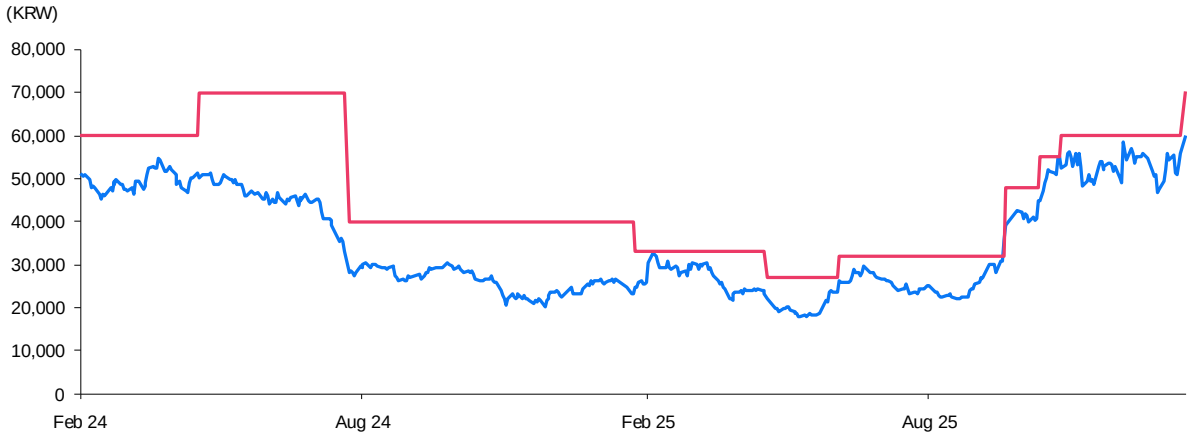
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/10/30	2024/4/30	8/5	2025/2/5	5/2	6/17	10/2	10/24	11/7	2026/1/27
Recommendation	BUY	BUY	HOLD	BUY	HOLD	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	60000	70000	40000	33000	27000	32000	48000	55000	60000	70000
Gap* (average)	-14.12	-35.33	-34.76	-18.15	-26.39	-19.38	-13.50	-6.68	-11.60	
(max or min)**	2.50	-26.86	-24.00	-1.06	-11.30	11.25	-6.77	0.00	-0.83	

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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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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