COMPANY UPDATE

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Industrial Team

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HD Hyundai CE (267270)

Sales in DMs rebounding

- HD Hyundai Construction Equipment and HD Hyundai Infracore, which merged to form HD Construction Equipment, saw a significant rebound in 4Q sales.
- The combined operating profit of the two companies also rebounded y-y, despite one-time costs and tariff impacts, benefiting from a low base. Slow margin improvement amid sales growth mirrors the trend observed among global peers.
- Overseas industry leaders have seen a sharp rebound in valuations, despite modest earnings, suggesting that investors are expecting a recovery in industry conditions. Reflecting the higher sector valuation multiple, we have established our target price for HD Construction Equipment.

WHAT'S THE STORY?

4Q25 review—sales rebound noteworthy: The company completed its merger with HD Hyundai Infracore on Jan 1, 2026, following the decision made on Jul 1, 2025. The new entity is now known as HD Construction Equipment. The 4Q25 results do not yet show the full impact of the merger, and consensus estimates have not fully caught up, either. Both HD Hyundai Construction Equipment and HD Hyundai Infracore recorded one-off costs in 4Q25—KRW21.9b and KRW27.9b, respectively—which makes the numbers a bit more complex to interpret. Even so, the results look positive. Both companies achieved sales growth of 20% and 29% y-y. The rebound in sales in North America and Europe, which had been lagging, is especially encouraging.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW150,000	21.5%
Current price	**KRW123,500**	
Market cap	KRW5.9t/USD4.0b	
Shares (float)	47,974,118 (62.9%)	
52-week high/low	KRW135,900/KRW56,400	
Avg daily trading value (60-day)	KRW38.3b/ USD26.2m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai CE (%)	12.3	18.3	69.4
Vs Kospi (%pts)	-2.8	-28.3	-19.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	150,000	127,000	18.1%
2025E EPS	5,614	6,213	-9.6%
2026E EPS	9,240	10,105	-8.6%

SAMSUNG vs THE STREET

No of estimates	2
Target price	147,500
Recommendation	4.0

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	947.3	20.0	-0.8	12.0	nm
Operating profit	33.4	-5.3	-40.2	-27.9	nm
Pre-tax profit	20.4	190.4	-64.3	-50.9	nm
Net profit	18.4	nm	-56.5	-44.5	nm
Margins (%)					
Operating profit	3.5				
Pre-tax profit	2.2				
Net profit	1.9				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	22.8	21.8	13.5
P/B	1.4	1.2	1.4
EV/EBITDA	6.0	10.8	8.5
Div yield (%)	0.4	0.4	0.7
EPS growth (% y-y)	-22.8	4.9	61.1
ROE (%)	6.2	5.8	14.4
Per-share data (KRW)			
EPS	5,461	5,727	9,224
BVPS	90,564	100,612	91,513
DPS	500	550	900

Keeping pace with industry leaders: Recent earnings from global construction equipment manufacturers show a common trend: sales came back, but profitability slowed y-y. While sales were supported by the ongoing recovery in the Chinese market and a rebound in North American sales, profit was constrained by the impact of US tariffs and elevated raw material costs. HD Construction Equipment's 4Q results reflect that same trend. Despite slower-than-anticipated profitability improvement, the companies' valuation has improved significantly, suggesting that investors are seeing the sales rebound as a sign of broader industry recovery. Global construction equipment sales have declined for four consecutive years since peaking in 2021. Given the cyclical nature of the industry, a recovery is now expected. The world's second-largest market, China, is already showing clear signs of recovery, and the largest market, North America, is also seeing a rebound in real demand. If demand continues to recover, cost pressures could be passed on through price increases. As leading players begin to raise prices, HD Construction Equipment's profitability should also bounce back. Incorporating the merger effects into our earnings estimates and reflecting the recent rise in the valuation of global construction equipment peers, we set our target price at KRW 150,000 (based on 16x 2026 P/E, the average of major Japanese construction equipment companies; Bloomberg).

HD Construction Equipment: 4Q review

(KRWb)	4Q25	3Q25	Chg (% q-q)	4Q24	Chg (% y-y)
Sales	1,215	1,130	7.5	939	29.4
Operating profit	32	81	-60.6	-11	nm
Pre-tax profit	13	89	-85.5	18	-26.5
Net profit (controlling)	8	67	-88.0	3	155.1
Margins (%)					
Operating profit	2.6	7.2		-1.2	
Pre-tax profit	1.1	7.9		1.9	
Net profit (controlling)	0.7	5.9		0.3	

Source: Company data

HD Hyundai Infracore: 4Q review

(KRWb)	4Q25	3Q25	Chg (% q-q)	4Q24	Chg (% y-y)
Sales	1,215	1,130	7.5	939	29.4
Operating profit	32	81	-60.6	-11	nm
Pre-tax profit	13	89	-85.5	18	-26.5
Net profit (controlling)	8	67	-88.0	3	155.1
Margins (%)					
Operating profit	2.6	7.2		-1.2	
Pre-tax profit	1.1	7.9		1.9	
Net profit (controlling)	0.7	5.9		0.3	

Source: Company data

HD Construction Equipment: 4Q sales, by region

(%)	Portion	Chg (% y-y)
EM	33	53
N.A.	22	4
India	13	-7
Europe	14	51
Brazil	6	17
Korea	5	-10
China	7	0
Company overall	100	20

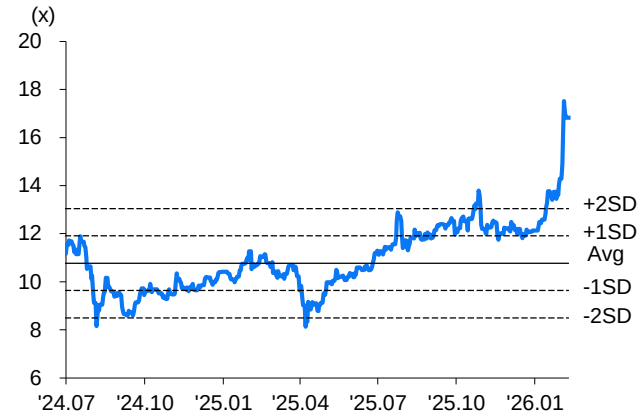
Source: Company data

HD Hyundai Infracore: 4Q sales, by region

(%)	Portion	Chg (% y-y)
EMs + Korea	52	39
N.A. + Europe	32	10
China	16	108
Company overall	100	35

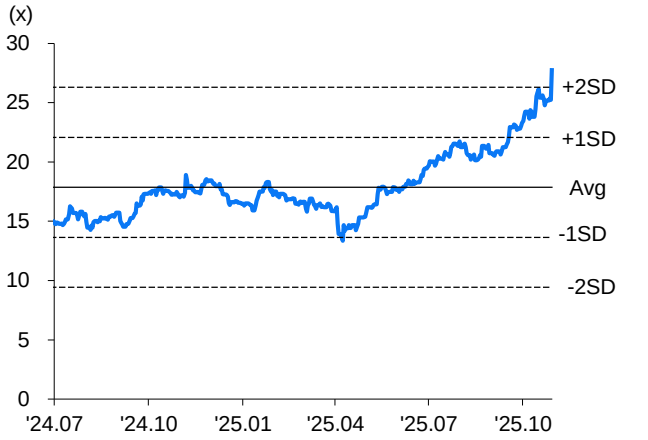
Source: Company data

Komatsu 1-year forward P/E



Source: Bloomberg

Caterpillar 1-year forward P/E



Source: Bloomberg

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**3,825**	**3,438**	**3,777**	**8,578**	**9,001**
Cost of goods sold	3,100	2,787	3,108	6,551	6,810
Gross profit	**725**	**651**	**668**	**2,027**	**2,191**
Gross margin (%)	18.9	18.9	17.7	23.6	24.3
SG&A expenses	467	460	498	1,424	1,493
Operating profit	**257**	**190**	**171**	**603**	**698**
Operating margin (%)	6.7	5.5	4.5	7.0	7.8
Non-operating gains (losses)	**-67**	**-69**	**-53**	**-21**	**-27**
Financial profit	100	91	62	119	189
Financial costs	109	105	88	141	217
Equity-method gains (losses)	-0	-0	0	0	0
Other	-57	-55	-27	0	0
Pre-tax profit	**190**	**121**	**118**	**582**	**670**
Taxes	63	36	31	140	161
Effective tax rate (%)	33.0	29.2	26.4	24.0	24.0
Profit from continuing operations	127	86	87	443	510
Profit from discontinued operations	0	0	0	0	0
Net profit	**127**	**86**	**87**	**443**	**510**
Net margin (%)	3.3	2.5	2.3	5.2	5.7
Net profit (controlling interests)	139	100	99	443	510
Net profit (non-controlling interests)	-12	-14	-12	0	0
EBITDA	324	259	215	829	923
EBITDA margin (%)	8.5	7.5	5.7	9.7	10.3
EPS (parent-based) (KRW)	7,077	5,461	5,727	9,224	10,621
EPS (consolidated) (KRW)	6,469	4,696	5,012	9,224	10,621
Adjusted EPS (KRW)*	7,077	5,461	5,727	9,224	10,621

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,199**	**2,113**	**2,191**	**4,389**	**4,846**
Cash & equivalents	428	264	132	479	603
Accounts receivable	439	460	569	1,058	1,233
Inventories	1,059	1,129	1,190	2,233	2,343
Other current assets	274	260	300	620	668
Fixed assets	**1,098**	**1,212**	**1,304**	**4,079**	**3,881**
Investment assets	1	1	1	1	1
Tangible assets	817	903	951	2,078	2,024
Intangible assets	93	93	137	400	256
Other long-term assets	187	215	215	1,600	1,600
Total assets	**3,297**	**3,325**	**3,495**	**8,468**	**8,728**
Current liabilities	**1,014**	**1,064**	**1,162**	**2,834**	**2,638**
Accounts payable	284	409	414	705	740
Short-term debt	343	177	300	600	600
Other current liabilities	387	478	448	1,529	1,298
Long-term liabilities	**512**	**467**	**451**	**1,107**	**1,338**
Bonds & long-term debt	357	327	257	873	903
Other long-term liabilities	154	140	194	235	435
Total liabilities	**1,526**	**1,531**	**1,613**	**3,941**	**3,976**
Owners of parent equity	**1,576**	**1,658**	**1,746**	**4,390**	**4,616**
Capital stock	99	94	94	247	247
Capital surplus	803	839	839	2,639	2,639
Retained earnings	605	655	744	1,170	1,660
Other	69	70	70	335	70
Non-controlling interests' equity	**195**	**136**	**136**	**136**	**136**
Total equity	**1,771**	**1,794**	**1,882**	**4,526**	**4,752**
Net debt	331	359	525	1,078	963

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**318**	**261**	**-71**	**262**	**288**
Net profit	127	86	87	443	510
Non-cash profit and expenses	151	108	58	282	287
Depreciation	54	56	44	225	225
Amortization	13	12	8	21	32
Other	84	39	7	35	29
Changes in A/L from operating activities	39	67	-216	-463	-508
Cash flow from investments	**-65**	**-195**	**-114**	**-831**	**-194**
Change in tangible assets	-115	-172	-114	-831	-194
Change in financial assets	175	21	-0	-0	-0
Other	-125	-43	0	0	0
Cash flow from financing	**-223**	**-254**	**53**	**916**	**30**
Change in debt	-180	-88	53	916	30
Change in equity	-0	31	0	0	0
Dividends	-33	-13	-11	-16	-19
Other	-10	-184	11	16	19
Change in cash	35	-163	-132	346	124
Cash at beginning of year	393	428	264	132	479
Cash at end of year	428	264	132	479	603
Gross cash flow	**279**	**194**	**145**	**725**	**796**
Free cash flow	**202**	**87**	**-186**	**-570**	**93**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	8.8	-10.1	9.8	127.1	4.9
Operating profit	50.8	-26.0	-10.3	253.1	15.6
Net profit	28.2	-32.5	1.2	408.6	15.1
Adjusted EPS**	25.0	-22.8	4.9	61.1	15.1
Per-share data (KRW)					
EPS (parent-based)	7,077	5,461	5,727	9,224	10,621
EPS (consolidated)	6,469	4,696	5,012	9,224	10,621
Adjusted EPS**	7,077	5,461	5,727	9,224	10,621
BVPS	80,021	90,564	100,612	91,513	96,211
DPS (common)	700	500	550	900	1,100
Valuations (x)					
P/E***	17.6	22.8	21.8	13.5	11.7
P/B***	1.6	1.4	1.2	1.4	1.3
EV/EBITDA	4.5	6.0	10.8	8.5	7.5
Ratios (%)					
ROE	9.2	6.2	5.8	14.4	11.3
ROA	4.1	3.0	2.9	7.4	5.9
ROIC	8.0	6.1	5.1	10.8	8.8
Payout ratio	9.9	9.2	9.6	9.8	10.4
Dividend yield (common)	0.6	0.4	0.4	0.7	0.9
Net debt to equity	18.7	20.0	27.9	23.8	20.3
Interest coverage (x)	5.6	4.4	4.5	11.2	9.2

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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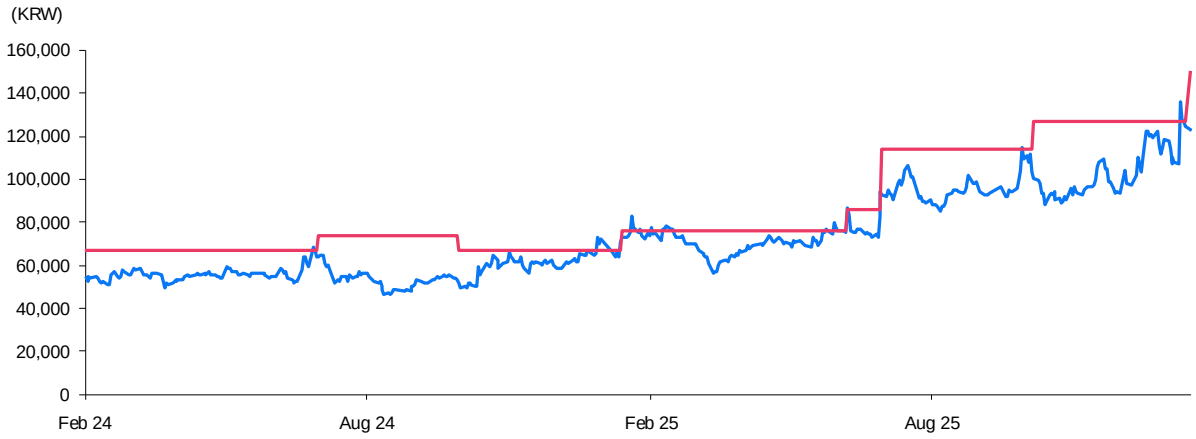
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/7	7/25	10/24	2025/2/7	7/2	7/25	10/31	2026/2/9
Recommendation	BUY	BUY	BUY	HOLD	HOLD	BUY	BUY	BUY
Target price (KRW)	67000	74000	67000	76000	86000	114000	127000	150000
Gap* (average)	-16.96	-27.69	-8.88	-6.82	-9.92	-15.73	-18.45	
(max or min)**	2.24	-12.16	8.51	8.95	-14.88	0.79	7.01	

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

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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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