COMPANY UPDATE

2026. 2. 10

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HD Hyundai Electric (267260)

New margin level achieved, further upside exists

- HD Hyundai Electric posted record-high quarterly sales, operating profit, and operating margin in 4Q25 without any one-off gains.
- The margin improvement was driven by a temporary increase in the North American portion of total sales thanks to higher inventory sales from its overseas subsidiary.
- Considering the North American portion of the company's order backlog, the North American portion of total sales is expected to trend up in the long term. Moreover, the product mix is expected to shift toward higher-margin products, supporting continued margin improvement.

WHAT'S THE STORY?

4Q25 earnings-profitability anchored in new territory: HD Hyundai Electric posted record-high quarterly sales and operating profit in 4Q25, with the latter exceeding market expectations by 14%. The company previously disclosed its preliminary 4Q25 results on Jan 26, and the key takeaway from this latest announcement (made on Feb 6) is that there were no significant one-offs affecting the results. While some tariff costs were recovered, they were offset by new expenses. As a result, the company achieved a consolidated operating margin of 27.6% without any one-off gains. We attribute the strong performance to: 1) ASP increases; and 2) the expansion of the North American portion of total sales.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW1,020,000	9.3%
Current price	KRW933,000	
Market cap	KRW33.6t/USD23.0b	
Shares (float)	36,047,135 (62.4%)	
52-week high/low	KRW949,000/KRW265,000	
Avg daily trading value (60-day)	KRW132.9b/ USD91.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD Hyundai Electric (%)	10.0	90.8	138.6
Vs Kospi (%pts)	-4.8	15.6	13.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	1,020,000	1,020,000	0.0%
2025E EPS	20,323	18,786	8.2%
2026E EPS	28,545	28,887	-1.2%

SAMSUNG vs THE STREET

No of estimates	10
Target price	1,065,000
Recommendation	4.0

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,163	42.6	16.9	-7.0	2.1
Operating profit	321	92.9	29.9	2.2	13.9
Pre-tax profit	316	91.3	26.3	26.1	9.3
Net profit	245	92.9	28.3	29.2	8.8
Margins (%)					
Operating profit	27.6				
Pre-tax profit	27.2				
Net profit	21.1				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	60.4	41.3	29.4
P/B	20.2	15.3	11.2
EV/EBITDA	40.8	27.9	21.1
Div yield (%)	0.6	0.8	1.0
EPS growth (% y-y)	93.5	46.1	40.5
ROE (%)	39.3	42.1	43.9
Per-share data (KRW)			
EPS	13,914	20,323	28,545
BVPS	41,662	54,885	75,030
DPS	5,350	7,100	8,400

Thanks to hike in North American portion of total sales: The North American portion of total sales surged to 48% in 4Q25, up from 36% in 3Q25, due to higher inventory sales from the company's North American subsidiary. HD Hyundai Electric changed its sales recognition policy for exports to a delivery basis at end-2024, a move increasing the volatility of quarterly sales. In other words, the spike in the North American portion in 4Q25 may be a temporary phenomenon, although it is not considered a non-operating factor. Moreover, the North American portion of the company's current order backlog is approaching 66%, suggesting a long-term uptrend in the North American portion of total sales. The 4Q25 results can also be seen as evidence that the rising North American portion is improving profitability.

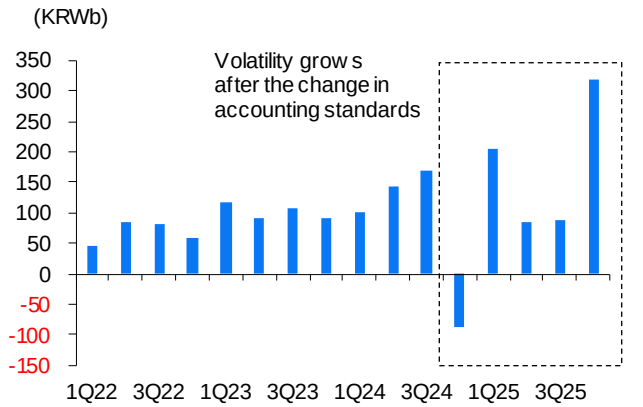
Further profitability gains expected: The company has maintained an operating margin above 20% for five consecutive quarters, already differentiating itself from competitors. It should widen the gap with peers by further improving profitability. Continued top-line growth is anticipated, led by rising demand in Europe and capacity expansion. ASP increases are also expected, driven by changes in the product mix. Regionally, the North American portion should grow, while product-wise, the share of ultra-high-voltage (765kV) transformers and eco-friendly GIS should expand. From a momentum perspective, there is potential for news related to the supply of data center products to big tech companies.

HD Hyundai Electric: 4Q25 review

(KRWb)	4Q25	3Q25	Chg (% q-q)	4Q24	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	1,163	995	16.9	816	42.6	1,140	2.1	1,251	-7.0
Operating profit	321	247	29.9	166	92.9	282	13.9	314	2.2
Pre-tax profit	316	250	26.2	165	91.2	289	9.3	251	26.1
Net profit (controlling)	245	191	28.2	129	89.5	225	8.8	190	29.2
Margins (%)									
Operating profit	27.6	24.8		20.4		24.7		25.1	
Pre-tax profit	27.2	25.2		20.3		25.4		20.0	
Net profit (controlling)	21.1	19.2		15.9		19.8		15.2	

Source: Company data, FnGuide, Samsung Securities estimates

Sales trend after subsidiaries and consolidation adjustments



Source: Company data

HD Hyundai Electric: Sales breakdown

(KRWb)	4Q25	3Q25	Chg (% q-q)	4Q24	Chg (% y-y)
North America	555	354	56.8	182	205.0
Middle East	196	210	-6.5	256	-23.4
Marine product	98	117	-16.1	103	-4.3
Others (domestic+other exports)	315	315	-0.2	275	14.2
Total	1,163	995	16.9	816	42.6
Portion (%)					
North America	47.7	35.5		22.3	
Middle East	16.9	21.1		31.4	
Marine product	8.4	11.8		12.6	
Others (domestic+other exports)	27.0	31.6		33.8	

Source: Company data

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**2,703**	**3,322**	**4,080**	**4,650**	**5,240**
Cost of goods sold	2,092	2,278	2,645	2,858	3,141
Gross profit	**610**	**1,045**	**1,435**	**1,792**	**2,099**
Gross margin (%)	22.6	31.4	35.2	38.5	40.1
SG&A expenses	295	376	440	488	539
Operating profit	**315**	**669**	**995**	**1,303**	**1,560**
Operating margin (%)	11.7	20.1	24.4	28.0	29.8
Non-operating gains (losses)	**-5**	**-19**	**-39**	**42**	**39**
Financial profit	66	146	208	124	143
Financial costs	110	153	330	100	125
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	40	-12	83	18	20
Pre-tax profit	**311**	**650**	**956**	**1,345**	**1,599**
Taxes	51	152	225	316	376
Effective tax rate (%)	16.4	23.3	23.5	23.5	23.5
Profit from continuing operations	259	498	732	1,029	1,223
Profit from discontinued operations	0	0	0	0	0
Net profit	**259**	**498**	**732**	**1,029**	**1,223**
Net margin (%)	9.6	15.0	17.9	22.1	23.3
Net profit (controlling interests)	259	502	733	1,029	1,223
Net profit (non-controlling interests)	0	-3	-1	0	0
EBITDA	368	734	1,060	1,369	1,625
EBITDA margin (%)	13.6	22.1	26.0	29.4	31.0
EPS (parent-based) (KRW)	7,189	13,914	20,323	28,545	33,932
EPS (consolidated) (KRW)	7,198	13,827	20,301	28,545	33,932
Adjusted EPS (KRW)*	7,189	13,914	20,323	28,545	33,932

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**1,973**	**2,764**	**3,945**	**5,230**	**6,781**
Cash & equivalents	176	570	999	1,644	2,317
Accounts receivable	601	797	1,095	1,401	1,723
Inventories	850	1,081	1,341	1,593	1,938
Other current assets	346	316	510	592	804
Fixed assets	**937**	**1,032**	**1,124**	**1,175**	**1,206**
Investment assets	8	6	7	7	7
Tangible assets	624	730	824	868	893
Intangible assets	70	66	64	71	77
Other long-term assets	235	230	230	230	230
Total assets	**2,910**	**3,796**	**5,069**	**6,405**	**7,988**
Current liabilities	**1,497**	**2,001**	**2,182**	**2,391**	**2,600**
Accounts payable	276	326	391	446	502
Short-term debt	341	20	200	200	150
Other current liabilities	880	1,655	1,591	1,746	1,948
Long-term liabilities	**356**	**287**	**908**	**1,309**	**1,806**
Bonds & long-term debt	274	167	172	127	102
Other long-term liabilities	82	120	736	1,182	1,704
Total liabilities	**1,853**	**2,288**	**3,090**	**3,701**	**4,406**
Owners of parent equity	**1,048**	**1,502**	**1,978**	**2,705**	**3,582**
Capital stock	180	180	180	180	180
Capital surplus	402	402	402	402	402
Retained earnings	397	816	1,293	2,019	2,896
Other	69	104	104	104	104
Non-controlling interests' equity	**9**	**6**	**0**	**0**	**0**
Total equity	**1,057**	**1,508**	**1,978**	**2,705**	**3,582**
Net debt	515	-310	-684	-1,388	-2,141

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**-22**	**1,034**	**393**	**790**	**827**
Net profit	259	498	732	1,029	1,223
Non-cash profit and expenses	65	174	283	178	220
Depreciation	44	57	65	65	65
Amortization	8	9	5	5	5
Other	12	109	213	108	149
Changes in A/L from operating activities	-347	361	-622	-417	-615
Cash flow from investments	**-93**	**-143**	**-149**	**-100**	**-80**
Change in tangible assets	-75	-121	-149	-100	-80
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	-256	-303	-346
Other	-9	-97	256	303	346
Change in cash	3	394	429	645	673
Cash at beginning of year	173	176	570	999	1,644
Cash at end of year	176	570	999	1,644	2,317
Gross cash flow	**324**	**672**	**1,014**	**1,207**	**1,443**
Free cash flow	**-98**	**912**	**244**	**690**	**747**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	28.4	22.9	22.8	14.0	12.7
Operating profit	136.9	112.2	48.8	31.0	19.7
Net profit	60.1	92.1	46.8	40.6	18.9
Adjusted EPS**	59.5	93.5	46.1	40.5	18.9
Per-share data (KRW)					
EPS (parent-based)	7,189	13,914	20,323	28,545	33,932
EPS (consolidated)	7,198	13,827	20,301	28,545	33,932
Adjusted EPS**	7,189	13,914	20,323	28,545	33,932
BVPS	29,077	41,662	54,885	75,030	99,362
DPS (common)	1,000	5,350	7,100	8,400	9,600
Valuations (x)					
P/E***	116.8	60.4	41.3	29.4	24.8
P/B***	28.9	20.2	15.3	11.2	8.5
EV/EBITDA	83.8	40.8	27.9	21.1	17.3
Ratios (%)					
ROE	27.7	39.3	42.1	43.9	38.9
ROA	9.7	15.0	16.5	17.9	17.0
ROIC	17.7	33.8	46.0	46.4	44.1
Payout ratio	13.9	38.4	34.9	29.4	28.3
Dividend yield (common)	0.1	0.6	0.8	1.0	1.1
Net debt to equity	48.7	-20.6	-34.6	-51.3	-59.8
Interest coverage (x)	8.0	22.6	51.5	57.1	78.7

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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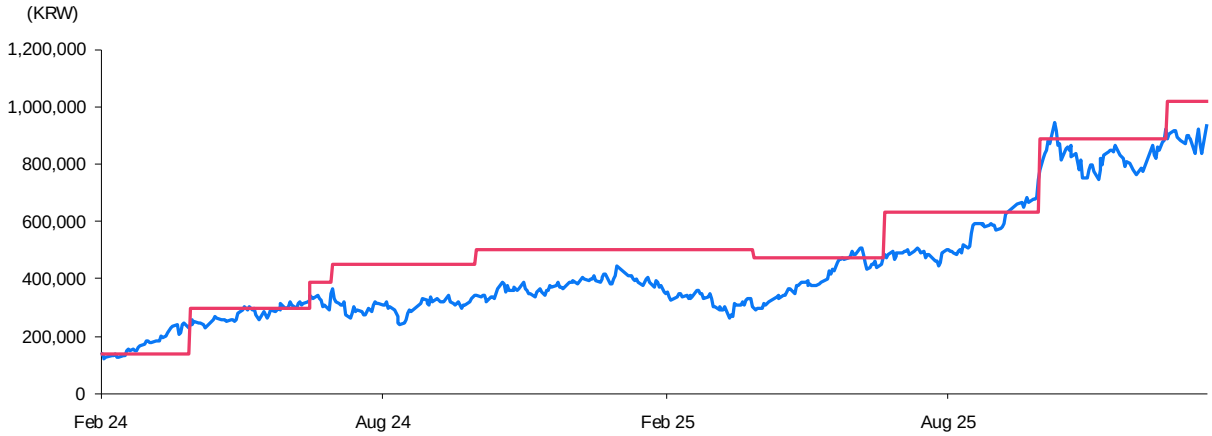
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/24	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
Target price (KRW)	140000	300000	390000	450000	502000	474000	635000	890000	1020000
Gap* (average)	8.86	-6.68	-16.61	-32.58	-28.52	-14.10	-14.26	-6.86	
(max or min)**	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

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Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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