COMPANY UPDATE

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Industrial Team

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HMM (011200)

4Q review; patience required

- HMM reported that its 4Q sales and operating profit fell 14% and 68% y-y, respectively, to KRW2.7t and KRW317.3b, the latter beating the recently-lowered consensus by a huge margin.
- We attribute this to a sharp drop in container freight rates. Due to the huge new vessel order backlogs and the delay in environmental regulation implementation, shipping freight rates are unlikely to rebound in the near term.
- We just finetune our 2026 earnings estimates and maintain HOLD rating and our KRW20,000 target price (based on a global peer average P/B of 0.76x; Bloomberg).

WHAT'S THE STORY?

4Q review—hit by falling freight rates: The average Shanghai Containerized Freight Index (SCFI) tumbled 36.2% y-y to 1,440 in 4Q, causing container freight rates to slip 28.2% to USD1,053/TEU. Despite a 2.8% increase in cargo volume to 1.01m TEU, HMM's container shipping sales shrank 18.2% y-y to KRW2.3t. Meantime, container shipping operating profit plummeted 75% y-y to KRW241.6b, for an operating margin of 10.7% (down 23.8%pts y-y), largely due to the plunge in freight rates and the increased costs from larger cargo volume and fleet capacity (0.99m TEU, up 8.2% y-y). In contrast, the firm's bulk shipping sales and operating profit jumped 20.5% and 17.6% y-y, respectively, to KRW398.7b and KRW700b, for an operating margin of 17.6% (up 1.8%pts y-y), as the Baltic Dry Index (BDI) leapt 47.4% y-y to 2,159.

(Continued on the next page)

AT A GLANCE

HOLD

Target price	KRW20,000	-5%
Current price	KRW21,050	
Market cap	KRW19.9t/USD13.7b	
Shares (float)	943,237,970 (64.6%)	
52-week high/low	KRW25,950/KRW17,690	
Avg daily trading value (60-day)	KRW32.3b/ USD22.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HMM (%)	5.3	-6.7	14.3
Vs Kospi (%pts)	-9.8	-44.1	-45.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	HOLD	HOLD	
Target price	20,000	20,000	0.0%
2025E EPS	1,954	1,936	0.9%
2026E EPS	1,529	1,539	-0.6%

SAMSUNG vs THE STREET

No of estimates	13
Target price	22,364
Recommendation	3.2

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	2,707.6	-14.2	0.0	12.0	5.5
Operating profit	317.3	-68.3	6.9	-0.5	27.9
Pre-tax profit	360.4	-61.5	-5.4	-2.1	-2.1
Net profit	363.9	-59.5	19.8	5.1	71.6
Margins (%)					
Operating profit	11.7				
Pre-tax profit	13.3				
Net profit	13.4				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	4.2	10.8	13.8
P/B	0.7	0.8	0.8
EV/EBITDA	3.7	6.8	7.9
Div yield (%)	2.9	3.3	2.2
EPS growth (% y-y)	176.4	-61.3	-21.7
ROE (%)	15.3	7.2	5.9
Per-share data (KRW)			
EPS	5,055	1,954	1,529
BVPS	31,615	25,220	26,525
DPS	600	700	460

Maintaining HOLD rating and KRW20,000 target: Reflecting the in-line 4Q results, we just finetune our 2026 earnings estimates and maintain our KRW20,000 target price (based on a global peer average P/B of 0.76x; Bloomberg) and HOLD rating on limited upside. The outlook remains challenging, with the average SCFI qtd down 33.2% y-y to 1,452. Concerns over reduced cargo volume (stemming from US tariff policies) and new order backlogs (11.49m TEUs for containerships; equivalent to 34.7T% of their global fleet) still weigh on the sector. Furthermore, the return of major competitors like Maersk and CMA-CGM to the Suez Canal could normalize operations (ie, decrease in ton-mile) and lead to further downward pressure on freight rates. The delay in implementation of the International Maritime Organization's global fuel standard (GFS) should slow the scrapping of older vessels, and thus fleet capacity is unlikely to decline sharply, which means weak momentum to drive up freight rates.

HMM: Results and forecasts

(KRWb)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24P	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25P	2024	2025P	2026E	2027E
Main assumptions																
SCFI	969	984	986	1,089	2,010	2,628	3,082	2,257	1,762	1,645	1,481	1,440	2,506	1,582	1,303	1,394
Chg (% y-y)	-80.0	-76.7	-69.9	-20.8	107.5	167.3	212.7	107.3	-12.3	-37.4	-51.9	-36.2	149.2	-36.9	-17.7	7.0
Average BDI	1,011	1,313	1,194	2,033	1,824	1,848	1,871	1,465	1,118	1,467	1,978	2,159	1,755	1,681	1,788	1,667
WS	64	57	46	60	67	60	50	49	59	59	65	106	57	72	104	109
Bunker C (USD/tonne)	426	464	540	475	467	525	491	477	498	442	433	412	490	446	369	386
Average KRW/USD	1,302	1,318	1,349	1,288	1,347	1,377	1,315	1,472	1,473	1,354	1,404	1,440	1,472	1,440	1,300	1,290
Assumptions																
Containership ('000TEU)	859	959	1,021	945	893	949	992	986	931	975	1,024	1,013	3,820	3,943	4,151	4,290
Chg (% y-y)	-6.8	7.5	11.2	-0.2	4.0	-1.0	-2.8	4.3	4.2	2.7	3.3	2.8	0.9	3.2	5.3	3.4
Dry bulk ('000MT)	9,187	9,605	10,497	9,646	10,523	7,692	9,949	9,598	10,463	12,270	8,271	10,731	37,762	41,735	45,817	45,817
Tanker ('000CBM)	438	147	293	147	586	440	441	1,988	146	146	775	775	3,454	1,841	3,099	3,099
Actual container supply ('000TEU)	1,183	1,421	1,488	1,420	1,274	1,296	1,388	1,395	1,338	1,426	1,571	1,515	5,353	5,851	6,030	6,207
Load factor (%)	72.6	67.5	68.6	66.6	70.1	73.2	71.5	70.6	69.5	68.4	65.2	66.8	71.4	67.4	68.8	69.1
Forecasts																
Sales	2,082	2,130	2,127	2,063	2,330	2,663	3,552	3,155	2,855	2,623	2,706	2,708	11,700	10,891	8,849	9,001
Containership	1,752	1,783	1,743	1,687	1,936	2,254	3,188	2,770	2,466	2,170	2,341	2,267	10,148	9,243	7,506	7,704
Bulk carrier	285	300	334	323	339	348	319	331	335	397	316	399	1,337	1,447	1,120	1,012
Other	45	47	49	52	55	61	45	54	53	56	49	42	215	201	223	285
Operating profit	306	160	76	42	407	644	1,461	1,000	614	233	297	317	3,513	1,461	1,070	1,220
Operating margin (%)	14.7	7.5	3.6	2.1	17.5	24.2	41.1	31.7	21.5	8.9	11.0	11.7	30.0	13.4	12.1	13.6
Pre-tax profit	312.0	339.3	122.6	280.4	503.5	697.8	1,759.5	935.8	753.1	506.2	381.0	360.2	3,896.6	2,000.5	1,543.7	1,619.5
Net profit	297.5	312.8	95.4	263.0	485.1	660.8	1,738.5	897.8	739.7	471.3	303.8	363.6	3,782.2	1,877.7	1,442.5	1,515.5
Chg (%)																
Sales	-57.7	-57.7	-58.4	-41.5	11.9	25.0	67.0	52.9	22.5	-1.5	-23.8	-14.2	39.3	-6.9	-18.8	1.7
Operating profit	-90.3	-94.5	-97.1	-96.6	32.8	302.2	1,827.5	2,260.8	50.8	-63.8	-79.7	-68.3	500.7	-58.4	-26.8	14.0
Pre-tax profit	-90.1	-88.5	-95.3	-81.3	61.4	105.7	1,334.8	233.7	49.6	-27.4	-78.3	-61.5	269.6	-48.7	-22.8	4.9
Net profit	-90.5	-89.4	-96.4	-81.6	63.0	111.2	1,722.0	241.4	52.5	-28.7	-82.5	-59.5	290.5	-50.4	-23.2	5.1

Source: Company data, Samsung Securities estimates

Forecast revisions

(KRWb)	2024	New		Old		Chg (%)	
		2025E	2026E	2025E	2026E	2025E	2026E
Sales	11,700	10,891	8,849	10,602	8,900	2.7	-0.6
Operating profit	3,513	1,461	1,070	1,463	1,074	-0.1	-0.4
Pre-tax profit	3,897	2,000	1,544	2,009	1,562	-0.4	-1.2
Net profit	3,782	1,878	1,442	1,860	1,452	0.9	-0.6
EBITDA	4,416	2,546	2,187	2,547	2,191	-0.1	-0.2
EPS* (KRW)	3,690	1,954	1,529	1,936	1,539	0.9	-0.6

Note: *Fully diluted, excluding one-off items

Source: Company data, Samsung Securities estimates

Valuation summary

(KRWb) (As of Dec 31)	Sales	Operating profit	Pre-tax profit	Net profit	EPS* (KRW)	Chg (%)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	Net debt
2023	8,401	585	1,054	969	1,829	-91.2	11.5	-8,690	8.7	0.5	4.6
2024	11,700	3,513	3,897	3,782	5,055	176.4	4.2	-11,360	3.7	0.7	15.3
2025E	10,891	1,461	2,000	1,878	1,954	-61.3	10.8	-6,802	6.8	0.8	7.2
2026E	8,849	1,070	1,544	1,442	1,529	-21.7	13.8	-7,728	7.9	0.8	5.9
2027E	9,001	1,220	1,619	1,516	1,607	5.1	13.1	-8,321	7.4	0.8	5.9

Note: *Fully diluted, excluding one-off items

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**8,401**	**11,700**	**10,891**	**8,849**	**9,001**
Cost of goods sold	7,426	7,737	8,856	7,306	7,305
Gross profit	**975**	**3,963**	**2,035**	**1,542**	**1,696**
Gross margin (%)	11.6	33.9	18.7	17.4	18.8
SG&A expenses	390	451	574	473	476
Operating profit	**585**	**3,513**	**1,461**	**1,070**	**1,220**
Operating margin (%)	7.0	30.0	13.4	12.1	13.6
Non-operating gains (losses)	**469**	**384**	**539**	**474**	**400**
Financial profit	1,549	1,397	802	632	603
Financial costs	863	1,138	281	169	206
Equity-method gains (losses)	-154	162	27	0	0
Other	-64	-38	-10	11	2
Pre-tax profit	**1,054**	**3,897**	**2,000**	**1,544**	**1,619**
Taxes	86	114	122	100	102
Effective tax rate (%)	8.1	2.9	6.1	6.5	6.3
Profit from continuing operations	969	3,782	1,878	1,444	1,517
Profit from discontinued operations	0	0	0	0	0
Net profit	**969**	**3,782**	**1,878**	**1,444**	**1,517**
Net margin (%)	11.5	32.3	17.2	16.3	16.9
Net profit (controlling interests)	969	3,782	1,878	1,442	1,516
Net profit (non-controlling interests)	0	0	1	2	2
EBITDA	1,458	4,416	2,546	2,187	2,389
EBITDA margin (%)	17.4	37.7	23.4	24.7	26.5
EPS (parent-based) (KRW)	1,829	5,055	1,954	1,529	1,607
EPS (consolidated) (KRW)	1,829	5,055	1,955	1,531	1,609
Adjusted EPS (KRW)*	1,829	5,055	1,954	1,529	1,607

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**13,180**	**17,997**	**13,576**	**14,187**	**14,798**
Cash & equivalents	3,250	1,472	1,214	2,140	2,733
Accounts receivable	757	1,130	1,009	838	848
Inventories	362	402	345	286	290
Other current assets	8,811	14,993	11,008	10,922	10,927
Fixed assets	**12,534**	**15,852**	**16,898**	**16,848**	**17,332**
Investment assets	1,508	872	952	952	952
Tangible assets	7,716	9,846	10,630	10,579	11,064
Intangible assets	41	43	49	49	49
Other long-term assets	3,269	5,090	5,268	5,268	5,268
Total assets	**25,713**	**33,849**	**30,475**	**31,034**	**32,131**
Current liabilities	**2,001**	**2,357**	**2,292**	**2,080**	**2,092**
Accounts payable	474	577	496	412	417
Short-term debt	0	0	0	0	0
Other current liabilities	1,528	1,780	1,797	1,668	1,676
Long-term liabilities	**2,271**	**3,636**	**3,943**	**3,931**	**3,932**
Bonds & long-term debt	279	145	28	28	28
Other long-term liabilities	1,992	3,491	3,915	3,903	3,904
Total liabilities	**4,273**	**5,993**	**6,235**	**6,011**	**6,024**
Owners of parent equity	**21,439**	**27,854**	**24,237**	**25,019**	**26,101**
Capital stock	3,445	4,405	5,125	5,125	5,125
Capital surplus	4,436	4,453	4,482	4,482	4,482
Retained earnings	10,889	14,115	13,275	14,057	15,139
Other	2,669	4,881	1,354	1,354	1,354
Non-controlling interests' equity	**2**	**2**	**3**	**4**	**6**
Total equity	**21,441**	**27,856**	**24,239**	**25,023**	**26,107**
Net debt	-8,690	-11,360	-6,802	-7,728	-8,321

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**1,980**	**4,875**	**2,840**	**2,605**	**2,671**
Net profit	969	3,782	1,878	1,444	1,517
Non-cash profit and expenses	424	668	715	825	890
Depreciation	873	903	1,085	1,117	1,170
Amortization	0	0	0	0	0
Other	-449	-235	-369	-292	-280
Changes in A/L from operating activities	186	(8)	-227	91	(5)
Cash flow from investments	**-1,487**	**-6,232**	**2,472**	**-797**	**-800**
Change in tangible assets	-2,027	-2,520	-935	-844	-810
Change in financial assets	-390	-5,011	3,907	0	0
Other	930	1,299	-500	47	10
Cash flow from financing	**-2,238**	**-539**	**-5,528**	**-660**	**-434**
Change in debt	-981	1,397	399	0	0
Change in equity	1,011	977	749	0	0
Dividends	-667	-528	-539	-660	-434
Other	-1,601	-2,385	-6,137	0	0
Change in cash	-1,730	-1,778	-258	926	593
Cash at beginning of year	4,980	3,250	1,472	1,214	2,140
Cash at end of year	3,250	1,472	1,214	2,140	2,733
Gross cash flow	**1,393**	**4,450**	**2,594**	**2,269**	**2,407**
Free cash flow	**-57**	**2,338**	**1,843**	**1,761**	**1,861**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-54.8	39.3	-6.9	-18.8	1.7
Operating profit	-94.1	500.7	-58.4	-26.8	14.0
Net profit	-90.4	290.4	-50.3	-23.1	5.1
Adjusted EPS**	-91.2	176.4	-61.3	-21.7	5.1
Per-share data (KRW)					
EPS (parent-based)	1,829	5,055	1,954	1,529	1,607
EPS (consolidated)	1,829	5,055	1,955	1,531	1,609
Adjusted EPS**	1,829	5,055	1,954	1,529	1,607
BVPS	40,483	31,615	25,220	26,525	27,671
DPS (common)	700	600	700	460	460
Valuations (x)					
P/E***	11.5	4.2	10.8	13.8	13.1
P/B***	0.5	0.7	0.8	0.8	0.8
EV/EBITDA	8.7	3.7	6.8	7.9	7.4
Ratios (%)					
ROE	4.6	15.3	7.2	5.9	5.9
ROA	3.7	12.7	5.8	4.7	4.8
ROIC	5.2	25.2	8.5	6.1	6.9
Payout ratio	49.8	14.0	35.2	30.1	28.6
Dividend yield (common)	3.6	3.4	3.3	2.2	2.2
Net debt to equity	-40.5	-40.8	-28.1	-30.9	-31.9
Interest coverage (x)	3.7	26.3	7.3	5.0	5.6

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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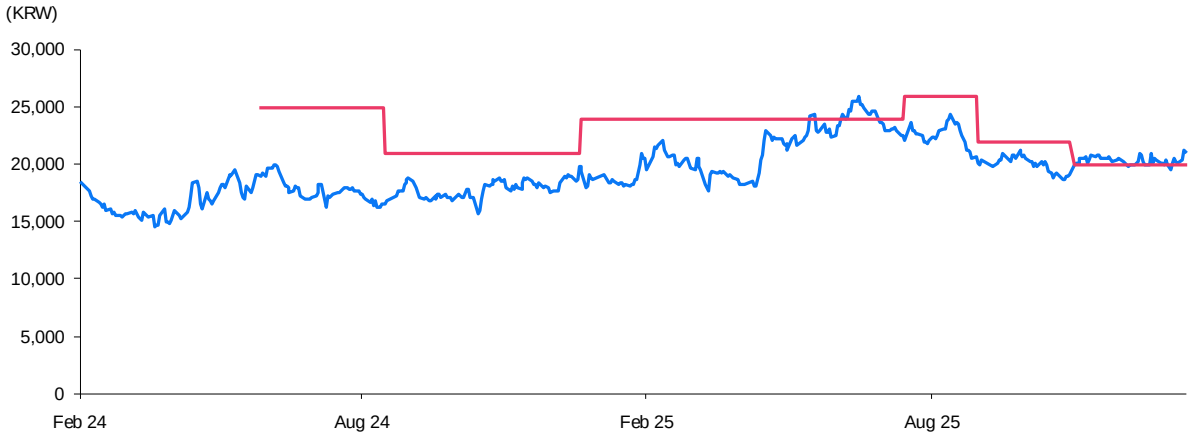
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/6/24	9/12	2025/1/16	8/14	9/30	12/1
Recommendation	BUY	BUY	BUY	BUY	HOLD	HOLD
Target price (KRW)	25000	21000	24000	26000	22000	20000
Gap* (average)	-29.07	-14.89	-11.83	-13.36	-9.14	
(max or min)**	-20.12	-5.71	8.12	-6.54	-3.64	

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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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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