COMPANY UPDATE

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Alternative Investment Team

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CS Bearing (297090)

Seeing both quantitative and qualitative growth

- CS Bearing reported its highest ever quarterly operating profit of KRW3.7b (+112.6% y-y) in 4Q25.
- The company is maintaining utilization rate around 70%, and has achieved high profitability (operating margin of 11.1%) since plant relocation to Vietnam, which we view positively.
- Driven by sales growth from customer diversification and improved profitability following the manufacturing relocation to Vietnam, the company is positioned for a period of both quantitative and qualitative growth. We maintain our BUY rating.

WHAT'S THE STORY?

4Q25 review: CS Bearing had a strong quarter, reporting 4Q25 consolidated sales of KRW33.7b (-7.8% y-y) and an operating profit of KRW3.7b (+112.6% y-y; for a margin of 11.1%). For the full year, it posted consolidated sales of KRW126.1b (+29.3% y-y) and an operating profit of KRW11.1b (+425.5% y-y; for a margin of 8.8%)—the latter marks the highest annual operating profit in the company's history.

Profitability improvement and client diversification on track: The completion of the manufacturing relocation to Vietnam in 2024 has led to a recovery in utilization rates, which rose to around 70% in 2025 after falling to around 20% in 4Q23. Also, the share of sales from GE Vernova decreased from 93.4% in 2024 to the low 80% range in 2025. Given its gradually diversifying customer base, we expect sales to Vestas to increase alongside sales to GE Vernova. The company intends to expand production capacity in Vietnam if sufficient orders are secured. With rising utilization rates, combined with the strong cost competitiveness and low labor costs at the Vietnamese plant, we anticipate continued improvements in profitability. Believing the company is positioned for a period of both quantitative and qualitative growth, we maintain our BUY rating.

AT A GLANCE

BUY

Target price	KRW9,700	44.1%
Current price	KRW6,730	
Market cap	KRW183.53b/USD127.45m	
Shares (float)	27,270,000 (44.0%)	
52-week high/low	KRW8,690/KRW4,300	
Avg daily trading value (60-day)	KRW1.4b/ USD1.0m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
CS Bearing (%)	14.1	1.2	8.2
Vs Kosdaq (%pts)	-1.6	-31.3	-27.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	9,700	9,700	0.0%
2025 EPS	412	303	36.0%
2026E EPS	500	412	24.4%

SAMSUNG vs THE STREET

No of estimates	n/a
Target price	n/a
Recommendation	n/a

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

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	33.7	-7.6	4.8	-5.5	n/a
Operating profit	3.7	110.9	10.5	-9.8	n/a
Pre-tax profit	3.8	43.5	5.4	-3.3	n/a
Net profit	4.1	989.8	-6.4	31.9	n/a
Margins (%)					
Operating profit	11.0				
Pre-tax profit	11.3				
Net profit	12.2				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025	2026E
Valuation (x)			
P/E	47.6	14.7	13.5
P/B	1.3	1.7	1.6
EV/EBITDA	22.5	8.9	6.3
Div yield (%)	0	0	0
EPS growth (% y-y)	nm	347.8	21.3
ROE (%)	2.8	11.7	12.9
Per-share data (KRW)			
EPS	92	412	500
BVPS	3,441	3,626	4,125
DPS	0	0	0

Income statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025	2026E
Sales	**49**	**77**	**105**	**126**	**153**
Cost of goods sold	49	69	93	103	123
Gross profit	**-0**	**8**	**13**	**23**	**30**
Gross margin (%)	-0.1	10.4	11.9	18.2	19.5
SG&A expenses	9	8	10	12	13
Operating profit	**-9**	**0**	**2**	**11**	**17**
Operating margin (%)	-18.0	0.1	2.0	8.8	11.3
Non-operating gains (losses)	**-10**	**-2**	**3**	**-1**	**-0**
Financial profit	9	6	9	6	3
Financial costs	10	8	10	7	3
Equity-method gains (losses)	0	0	0	0	0
Other	-9	-0	4	0	0
Pre-tax profit	**-19**	**-2**	**5**	**10**	**17**
Taxes	-1	-1	2	-1	4
Effective tax rate (%)	6.5	30.9	48.7	-12.1	20.9
Profit from continuing operations	-17	-2	3	11	14
Profit from discontinued operations	0	0	0	0	0
Net profit	**-17**	**-2**	**3**	**11**	**14**
Net margin (%)	-35.5	-2.1	2.4	8.9	8.9
Net profit (controlling interests)	-17	-2	3	11	14
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	-4	3	6	15	21
EBITDA margin (%)	-9.1	4.6	5.2	11.7	13.5
EPS (parent-based) (KRW)	-729	-59	92	412	500
EPS (consolidated) (KRW)	-729	-59	92	412	500
Adjusted EPS (KRW)*	-729	-59	92	412	500

Balance sheet

Year-end Dec 31 (KRWb)	2022	2023	2024	2025	2026E
Current assets	**82**	**89**	**85**	**100**	**124**
Cash & equivalents	33	24	14	58	78
Accounts receivable	10	11	35	19	23
Inventories	30	30	33	19	23
Other current assets	10	25	2	3	0
Fixed assets	**74**	**60**	**63**	**59**	**55**
Investment assets	0	0	0	0	0
Tangible assets	60	56	62	57	54
Intangible assets	0	0	0	0	0
Other long-term assets	13	4	1	1	1
Total assets	**156**	**150**	**148**	**159**	**180**
Current liabilities	**65**	**63**	**53**	**59**	**66**
Accounts payable	15	13	34	34	40
Short-term debt	34	38	17	23	23
Other current liabilities	16	12	2	2	3
Long-term liabilities	**4**	**1**	**1**	**1**	**1**
Bonds & long-term debt	3	0	0	0	0
Other long-term liabilities	1	1	1	1	1
Total liabilities	**69**	**64**	**54**	**60**	**67**
Owners of parent equity	**87**	**86**	**94**	**99**	**113**
Capital stock	14	14	14	14	14
Capital surplus	90	91	91	91	91
Retained earnings	-13	-15	-12	-1	13
Other	-3	-4	2	-4	-4
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**87**	**86**	**94**	**99**	**113**
Net debt	20	21	4	-34	-54

Cash flow statement

Year-end Dec 31 (KRWb)	2022	2023	2024	2025	2026E
Cash flow from operations	**-2**	**-3**	**2**	**41**	**20**
Net profit	-17	-2	3	11	14
Non-cash profit and expenses	17	7	5	8	6
Depreciation	4	3	3	4	3
Amortization	0	0	0	0	0
Other	13	4	2	4	3
Changes in A/L from operating activities	1	-5	-4	22	3
Cash flow from investments	**-12**	**-4**	**20**	**-4**	**0**
Change in tangible assets	-10	-1	-4	-4	0
Change in financial assets	1	-5	5	0	0
Other	-2	1	20	-0	0
Cash flow from financing	**37**	**-2**	**-32**	**7**	**0**
Change in debt	-11	-3	-31	6	0
Change in equity	51	1	-0	0	0
Dividends	0	0	0	0	0
Other	-3	1	-1	1	0
Change in cash	22	-9	-9	44	20
Cash at beginning of year	11	33	24	14	58
Cash at end of year	33	24	14	58	78
Gross cash flow	**-0**	**5**	**8**	**19**	**20**
Free cash flow	**-13**	**-4**	**-2**	**37**	**20**

Financial ratios

Year-end Dec 31	2022	2023	2024	2025	2026E
Growth (%)					
Sales	-48.7	56.3	37.6	19.7	21.5
Operating profit	nm	nm	3,596.4	425.5	55.8
Net profit	nm	nm	nm	347.8	21.3
Adjusted EPS**	nm	nm	nm	347.8	21.3
Per-share data (KRW)					
EPS (parent-based)	-729	-59	92	412	500
EPS (consolidated)	-729	-59	92	412	500
Adjusted EPS**	-729	-59	92	412	500
BVPS	3,227	3,142	3,441	3,626	4,125
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	n/a	47.6	14.7	13.5
P/B***	2.5	3.5	1.3	1.7	1.6
EV/EBITDA	n/a	92.1	22.5	8.9	6.3
Ratios (%)					
ROE	-24.3	-1.9	2.8	11.7	12.9
ROA	-11.9	-1.1	1.7	7.3	8.0
ROIC	-8.1	0.0	1.1	15.3	22.2
Payout ratio	0.0	0.0	0.0	0.0	0.0
Dividend yield (common)	0.0	0.0	0.0	0.0	0.0
Net debt to equity	22.5	24.7	4.7	-34.3	-47.7
Interest coverage (x)	-3.3	0.0	1.2	8.8	18.9

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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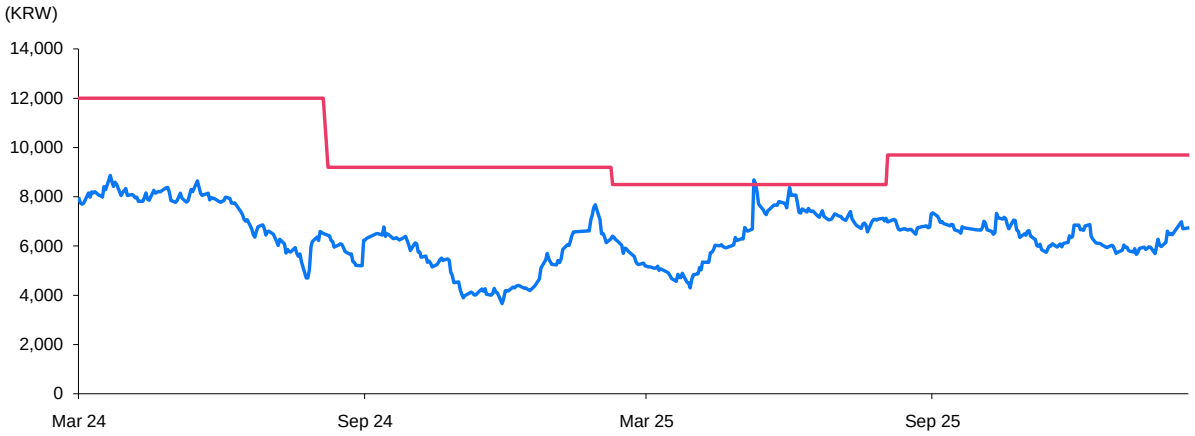
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/2/14	8/19	2025/2/18	8/14
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	12000	9200	8500	9700
Gap* (average)	-37.59	-41.34	-24.53	
(max or min)**	-26.08	-16.52	2.24	

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

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
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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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