COMPANY UPDATE

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SL Corporation (005850)

On track to become the No.2 parts maker

EV/Mobility Team

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- Until 2025, Hyundai Mobis remained the undisputed leader among Korean automotive parts suppliers by market cap, with Hanon Systems and HL Mando competing for second place.
- Since the pandemic, SL Corporation has stood out for its rapid growth and for being the sector's most profitable player. Looking ahead, it is likely to offer an industry-leading dividend payout ratio of 40% over 2025-2027.
- In 2026, the growth outlook is bright both for SL Corp's core lamp business and for its new ventures (BMS, body control modules, and robotics). The firm is on track to supplant Hanon Systems as the second-largest parts supplier by market cap.

WHAT'S THE STORY?

Poised to emerge as second-largest automotive parts supplier: SL Corporation has achieved rapid growth, while Hanon Systems and HL Mando—which have competed for second place by market cap since 2012—have struggled with declining profitability.

- **Sales surge on governance changes and increased LED lamp share:** SL Corp previously accounted for its Korean lamp manufacturing subsidiary using the equity method, but consolidated it in 2Q19, causing the lamp shares of sales to jump from 50% to 80%, and driving consolidated sales up from less than KRW2t to KRW2.5t. Sales grew at a 2020-2025 CAGR of 15.9%, reaching KRW5.2t in 2025, as: 1) Hyundai Motor (HMC) and Kia began to equip all new vehicle models with LED headlamps; and 2) SL Corp's sales to General Motors rose. In comparison, Hanon Systems and HL Mando recorded 2020-2025 sales CAGRs of 9.6% and 11.2%, respectively.

(Continued on the next page)

SUMMARY FINANCIAL DATA

(KRWb)	2024	2025E	2026E	2027E
Revenue	4,973	5,240	5,659	6,055
Operating profit	395	407	462	503
Net profit (adj)	382	321	408	439
EPS (adj) (KRW)	7,930	6,729	8,556	9,210
EPS (adj) growth (% y-y)	9.8	-15.2	27.2	7.6
EBITDA margin (%)	11.2	11.2	11.3	11.1
ROE (%)	17.4	12.9	14.8	14.5
P/E (adj) (x)	3.8	6.4	7.4	6.9
P/B (x)	0.6	0.8	1.0	0.9
EV/EBITDA (x)	2.6	3.3	4.2	3.6
Dividend yield (%)	4.0	6.5	5.5	5.9

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW87,000	37.4%
Current price	KRW63,300	
Market cap	KRW2.9t/USD1.9b	
Shares (float)	46,448,520 (36.2%)	
52-week high/low	KRW73,400/KRW30,050	
Avg daily trading value (60-day)	KRW19.3b/ USD12.9m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SL Corporation (%)	20.6	78.6	84.0
Vs Kospi (%pts)	19.6	11.0	-14.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	87,000	87,000	0.0%
2025E EPS	6,729	6,729	0.0%
2026E EPS	8,556	8,556	0.0%

SAMSUNG vs THE STREET

No of estimates	6
Target price	84,333
Recommendation	4.0

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

- **Operating margin high (~8%):** Since 2023, with SL Corp's LED lamp sales surpassing 50% of its total lamp sales, operating margin has reached 8%. Although seasonal fluctuations exist—with profitability higher in 1H and lower in 2H—the company maintains the highest annual operating margin among Korean automotive parts suppliers. An 8% operating margin is double that of Hanon Systems and HL Mando. Hanon Systems' operating margin is likely to recover to around 5% by 2027 following restructuring efforts, while HL Mando's is likely to remain near 4%.
- **Net cash position and dividend payout hike to 40%:** At end-3Q25, SL Corp was sitting on net cash of KRW563b and a debt-to-equity ratio of 54%. To enable its shareholders to benefit from separate taxation of dividend income, it raised its dividend payout ratio from 15% in 2024 to 40% in 2025. Hanon Systems, undergoing restructuring, currently has no capacity for dividends—payouts are unlikely to resume before 2028. HL Mando's dividend payout ratio in 2025 was high at 35%, but its earnings growth in 2026 is likely to trail that of SL Corp.

2026 earnings momentum: Benefiting from HMC and Kia's model launches and plant startups, SL Corp's sales are likely to grow at a CAGR of 8% through 2027.

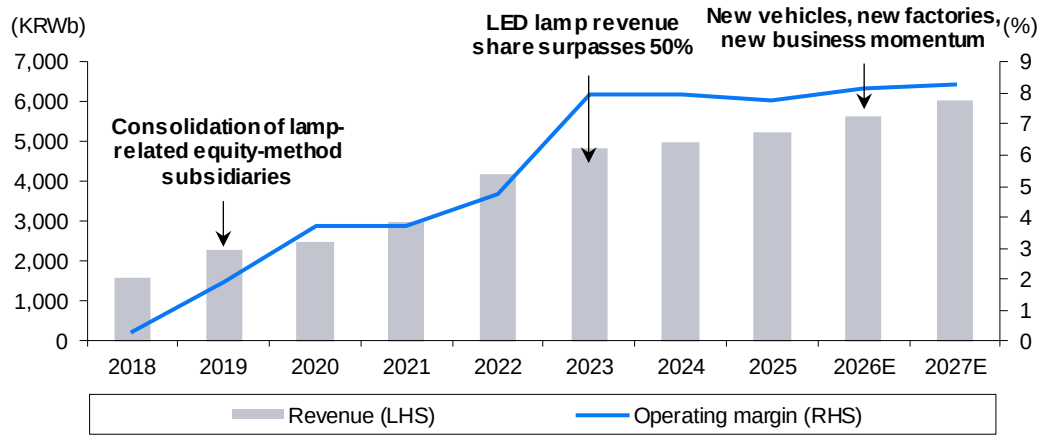
- **2026 outlook:** We expect SL Corp to post 2026 sales of KRW5.58t (up 8% y-y) and an operating profit of KRW437.1b (up 21.4% y-y), for an operating margin of 7.8%. Sales should pick up as HMG launches new models and SL Corp lifts plant utilization globally. A recovery of tariff costs should further improve profitability.
- **New-car momentum from HMC and Kia in 2026:** SL Corp's orders began to surge in 2023, and the impact of this on earnings should be seen from 2026. The firm supplies headlamps and rear lamps for the Ioniq 9; head lamps for the EV4; and headlamps and rear lamps for the Kia Telluride. For the Palisade Hybrid that is assembled at Hyundai Motor Group Metaplant America (HMGMA), it supplies headlamps, grille lamps, and rear lamps.
- **HMGMA ramping up utilization; HMC's plant in India comes online:** We see several catalysts that should drive SL Corp's sales higher: 1) HMGMA assembles HMC and Kia hybrids, and it is planning to ramp up output from 60,000 units in 2025 to 200,000 units in 2026; 2) HMC's third plant in India came online in Oct 2025 (capacity: 250,000 units); and 3) a Kia PBV plant came online in Jun 2025 (capacity: 150,000 units). SL Corp supplies all of the lamps for HMG's vehicles in North America and India. It should also provide headlamps for vehicles produced at Kia's PBV plant.

New businesses—E/E components and robotics: SL Corp has begun securing orders for EV battery management systems (BMS) and body control modules from HMC and Kia under the carmakers' dual-sourcing strategy. In late 2020, when HMG acquired Boston Dynamics, SL Corp established a robotics division and began developing robot components.

- **BMS expanding beyond EVs into robots:** Under HMG's dual-sourcing policy, both SL Corp and Hyundai Mobis provide BMS and side body control modules to the group. SL Corp began to supply BMS for use in Kia's EV3 and EV4 in 2024. It also supplies BMS for HMG Robotics Lab's mobile robots.
- **HMC and Kia to adopt side body control modules in all models from 2027:** SL Corp's side body control modules were first adopted in the Kia EV3 and EV4. Under HMC's and Kia's integrated-sourcing strategy, SL Corp is positioned to supply all models launching over 2027-2028.

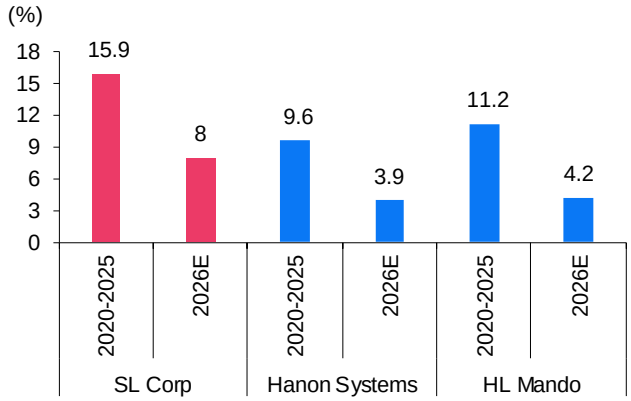
- **Involved in MobED production:** HMG Robotics Lab aims to produce 10,000-15,000 MobED mobile robots over the next three years. SL Corp is involved in MobED production, supplying lidar modules and battery packs, which contracts alone are expected to add KRW70b-80b to its annual sales (1.5% of its total sales).
- **Participating in Atlas component bidding:** SL Corp is already supplying the leg modules for a quadruped robot and the signal lamps for Stretch. Having a production base in North America and sufficient financial resources needed to develop new technologies, it is well positioned to win additional orders.

SL Corp: Sales and operating margin



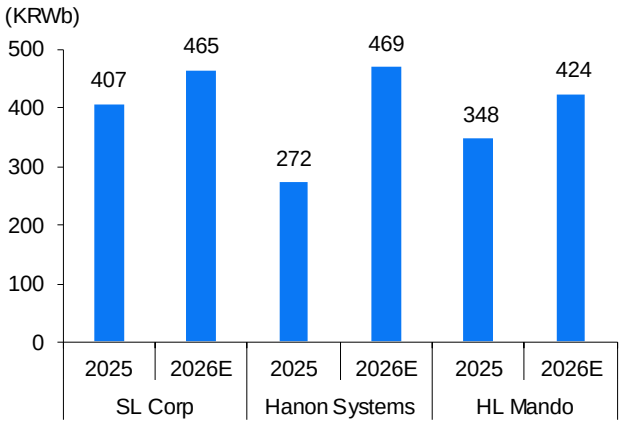
Source: Company data, Samsung Securities

Part makers: Revenue growth



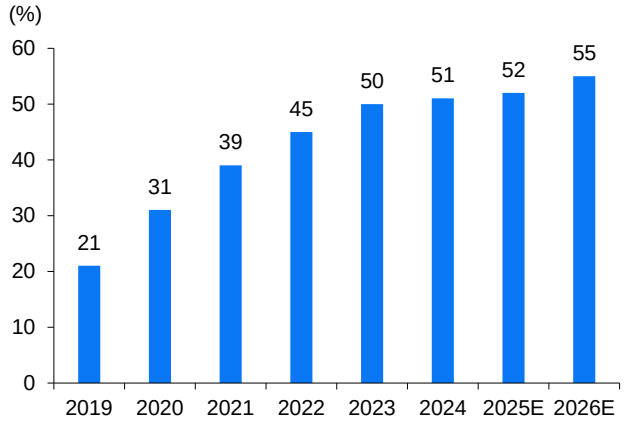
Source: Company data, Samsung Securities

Part makers: Operating profit forecasts



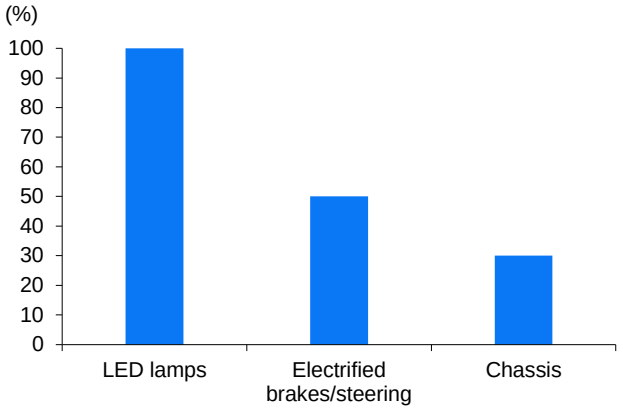
Source: Company data, Samsung Securities

SL Corp: LED lamp portion of total lamp sales



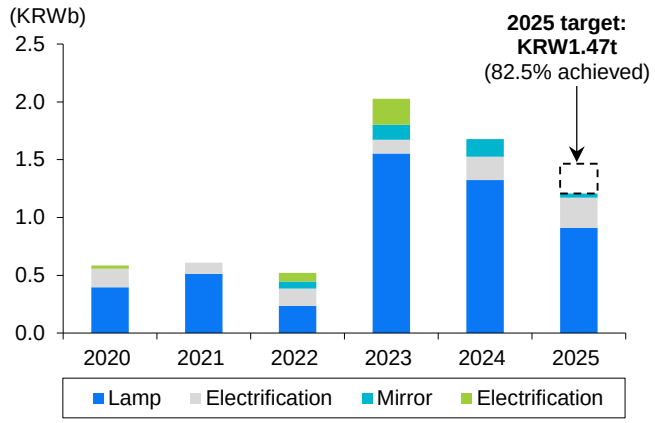
Source: Company data, Samsung Securities

SL Corp: Changes in ASPs for main products



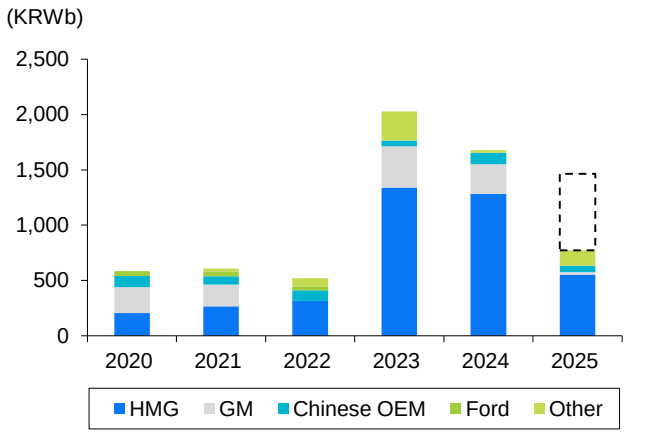
Source: Company data, Samsung Securities estimates

SL Corp: Orders taken, by product



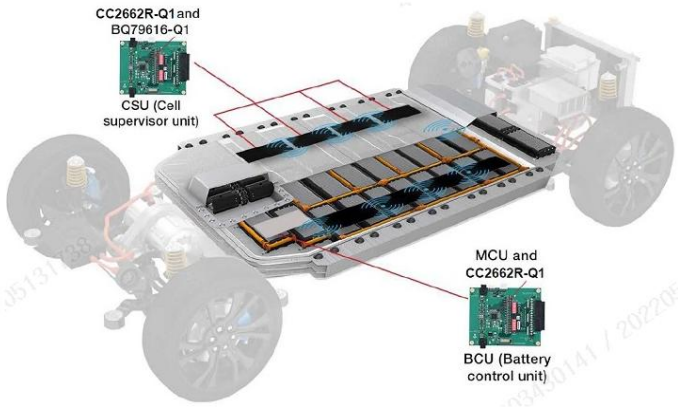
Note: 2025 figures cover January-September
Source: Company data, Samsung Securities

SL Corp: Orders taken, by client



Note: 2025 figures cover January-September
Source: Company data, Samsung Securities

Battery management system (BMS)

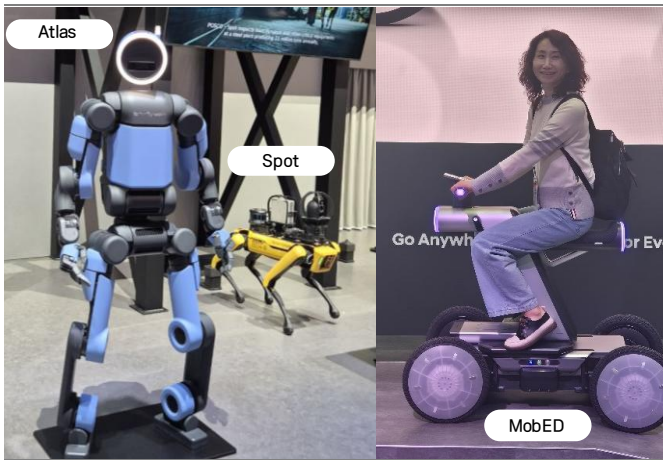


Source: TI, Samsung Securities

Side body control module (SBCM)

Source: Company data, Samsung Securities

Atlas/Spot/MobED



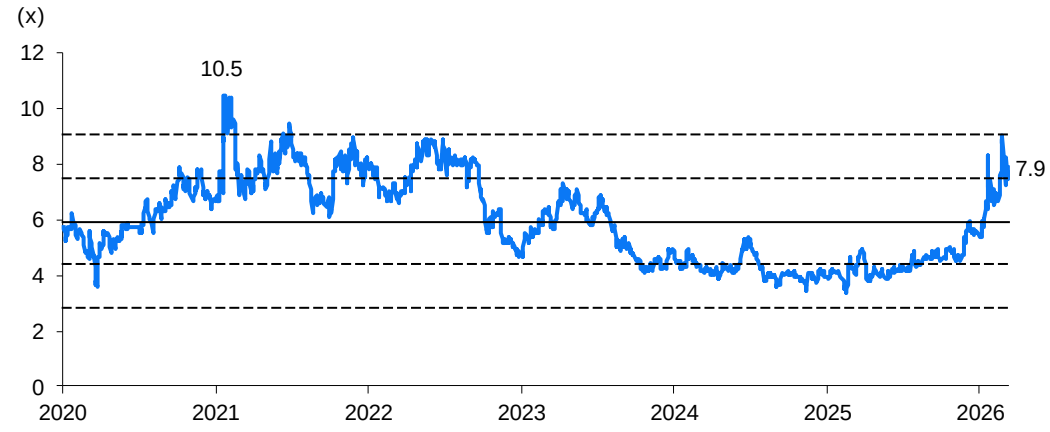
Source: Samsung Securities

SL Corp: HMG's robotics business's core value chain

Company	Product	SL Supply
Robotics LAB	MobED	Lidar module
		Battery pack
		Mobile robot production
Boston Dynamics	Stretch	Direction indicator
	Spot	Leg module
	Atlas	Bidding

Source: Samsung Securities

SL Corporation: 12-month forward P/E valuation



Source: QuantiWise, Samsung Securities

Global lamp makers: Valuations

(USDm)	Koito	Valeo	Forvia	Stanley	SL Corp
Market cap	5,015	2,911	2,283	2,186	1,963
Revenue	5,830	23,981	3,197	27,090	3,856
Operating profit	293	1,117	288	1,587.90	298
Operating margin (%)	5.0	4.7	9.0	5.9	7.7
Net profit	200	411	202	170	256
Net margin (%)	3.4	1.7	6.3	0.6	6.7
2026 P/E	**22.3**	**7.4**	**11.9**	**9.7**	**8.0**
2026 P/B	**1.1**	**0.7**	**0.8**	**0.6**	**1.0**

Note: Market cap as of Feb 20, earnings based on 2026E consensus
Source: Bloomberg, Samsung Securities

SL Corp: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	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	1,234	1,295	1,303	1,409	1,325	1,435	1,408	1,491	4,973	5,240	5,659	6,055
Chg (% y-y)	-1.0	-0.3	9.3	13.9	7.4	10.8	8.1	5.8	2.8	5.4	8.0	7.0
Lamp	943	1,043	1,080	1,133	1,036	1,117	1,128	1,169	3,961	4,198	4,450	4,717
Chassis	173	134	163	159	177	161	175	147	543	630	661	694
Other	118	117	60	117	111	157	105	175	470	412	548	644
Gross profit	192	180	150	212	222	215	157	214	689	734	808	882
Operating profit	119	106	68	114	144	137	69	112	395	407	462	503
Chg (% y-y)	-14.1	-28.3	0.9	178.0	20.3	29.3	1.1	-1.1	2.3	3.0	13.4	9.0
Equity method profit	3.8	5.0	2.6	5.4	6.6	8.2	4.7	-2.6	16.8	16.8	16.9	17.1
Before tax profit	137	92	94	124	170	144	84	146	487	446	544	585
Net profit	104	70	70	77	128	108	63	109	382	321	408	439
Chg (% y-y)	-14.3	-43.3	21.3	-3.4	22.7	53.5	-9.8	42.9	9.4	-16.0	27.2	7.6
Controlling profit	100	69	68	75	124	105	61	107	368	313	397	428
Chg (% y-y)	-14.2	-41.7	21.6	-2.4	24.4	51.6	-10.0	42.1	9.8	-15.2	27.2	7.6
Margins (%)												
Gross profit	15.6	13.9	11.5	15.0	16.7	15.0	11.2	14.3	13.8	14.0	14.3	14.6
Operating profit	9.7	8.2	5.2	8.1	10.8	9.5	4.9	7.5	7.9	7.8	8.2	8.3
Before tax profit	11.1	7.1	7.2	8.8	12.8	10.0	6.0	9.8	9.8	8.5	9.6	9.7
Net profit	8.4	5.4	5.4	5.4	9.6	7.5	4.5	7.3	7.7	6.1	7.2	7.3

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**4,839**	**4,973**	**5,240**	**5,659**	**6,055**
Cost of goods sold	4,200	4,285	4,506	4,851	5,173
Gross profit	**639**	**689**	**734**	**808**	**882**
Gross margin (%)	13.2	13.8	14.0	14.3	14.6
SG&A expenses	253	294	327	346	379
Operating profit	**386**	**395**	**407**	**462**	**503**
Operating margin (%)	8.0	7.9	7.8	8.2	8.3
Non-operating gains (losses)	**43**	**92**	**39**	**82**	**82**
Financial profit	24	33	37	46	57
Financial costs	26	21	16	15	15
Equity-method gains (losses)	18	17	17	17	17
Other	26	63	1	35	23
Pre-tax profit	**429**	**487**	**446**	**544**	**585**
Taxes	80	105	125	136	146
Effective tax rate (%)	18.6	21.6	28.0	25.0	25.0
Profit from continuing operations	349	382	321	408	439
Profit from discontinued operations	0	0	0	0	0
Net profit	**349**	**382**	**321**	**408**	**439**
Net margin (%)	7.2	7.7	6.1	7.2	7.3
Net profit (controlling interests)	336	368	313	397	428
Net profit (non-controlling interests)	14	14	8	10	11
EBITDA	539	559	586	637	673
EBITDA margin (%)	11.1	11.2	11.2	11.3	11.1
EPS (parent-based) (KRW)	7,223	7,930	6,729	8,556	9,210
EPS (consolidated) (KRW)	7,519	8,223	6,906	8,782	9,453
Adjusted EPS (KRW)*	7,223	7,930	6,729	8,556	9,210

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**2,071**	**2,346**	**2,547**	**2,911**	**3,276**
Cash & equivalents	314	348	459	681	912
Accounts receivable	901	960	1,011	1,092	1,169
Inventories	375	416	438	474	507
Other current assets	481	622	638	664	689
Fixed assets	**1,165**	**1,353**	**1,423**	**1,422**	**1,415**
Investment assets	236	233	242	255	268
Tangible assets	748	861	923	909	897
Intangible assets	41	37	37	36	28
Other long-term assets	140	221	221	221	221
Total assets	**3,236**	**3,699**	**3,970**	**4,333**	**4,691**
Current liabilities	**1,116**	**1,142**	**1,147**	**1,217**	**1,283**
Accounts payable	515	511	538	581	622
Short-term debt	319	275	275	275	275
Other current liabilities	282	357	334	361	386
Long-term liabilities	**111**	**159**	**168**	**181**	**193**
Bonds & long-term debt	0	0	0	0	0
Other long-term liabilities	111	159	168	181	193
Total liabilities	**1,227**	**1,302**	**1,315**	**1,397**	**1,475**
Owners of parent equity	**1,928**	**2,300**	**2,550**	**2,819**	**3,088**
Capital stock	23	23	23	23	23
Capital surplus	460	460	460	460	460
Retained earnings	1,470	1,783	2,040	2,310	2,579
Other	-25	34	26	26	26
Non-controlling interests' equity	**81**	**97**	**106**	**116**	**128**
Total equity	**2,009**	**2,397**	**2,655**	**2,936**	**3,216**
Net debt	50	-24	-174	-396	-627

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**432**	**482**	**445**	**506**	**535**
Net profit	349	382	321	408	439
Non-cash profit and expenses	275	300	241	238	232
Depreciation	142	153	168	164	162
Amortization	11	11	10	10	8
Other	121	136	62	63	62
Changes in A/L from operating activities	-111	-122	-38	-60	-56
Cash flow from investments	**-270**	**-334**	**-240**	**-160**	**-150**
Change in tangible assets	-157	-214	-230	-150	-150
Change in financial assets	0	0	0	0	0
Other	-113	-120	-10	-10	0
Cash flow from financing	**-114**	**-127**	**-95**	**-127**	**-159**
Change in debt	-71	-39	-39	0	0
Change in equity	0	0	0	0	0
Dividends	-28	-46	-55	-128	-159
Other	-16	-41	0	0	0
Change in cash	48	35	110	222	231
Cash at beginning of year	266	314	348	459	681
Cash at end of year	314	348	459	681	912
Gross cash flow	**624**	**681**	**561**	**646**	**671**
Free cash flow	**271**	**244**	**215**	**356**	**385**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	15.9	2.8	5.4	8.0	7.0
Operating profit	95.1	2.3	3.0	13.4	9.0
Net profit	110.5	9.4	-16.0	27.2	7.6
Adjusted EPS**	119.6	9.8	-15.2	27.2	7.6
Per-share data (KRW)					
EPS (parent-based)	7,223	7,930	6,729	8,556	9,210
EPS (consolidated)	7,519	8,223	6,906	8,782	9,453
Adjusted EPS**	7,223	7,930	6,729	8,556	9,210
BVPS	41,872	49,934	55,358	61,217	67,056
DPS (common)	900	1,200	2,770	3,450	3,750
Valuations (x)					
P/E***	4.9	3.8	6.4	7.4	6.9
P/B***	0.9	0.6	0.8	1.0	0.9
EV/EBITDA	3.3	2.6	3.3	4.2	3.6
Ratios (%)					
ROE	18.8	17.4	12.9	14.8	14.5
ROA	11.3	11.0	8.4	9.8	9.7
ROIC	19.3	17.4	15.0	17.0	18.0
Payout ratio	12.4	15.0	40.8	40.0	40.4
Dividend yield (common)	2.5	4.0	6.5	5.5	5.9
Net debt to equity	2.5	-1.0	-6.6	-13.5	-19.5
Interest coverage (x)	15.9	21.7	25.2	30.5	33.2

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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- As of 3/17 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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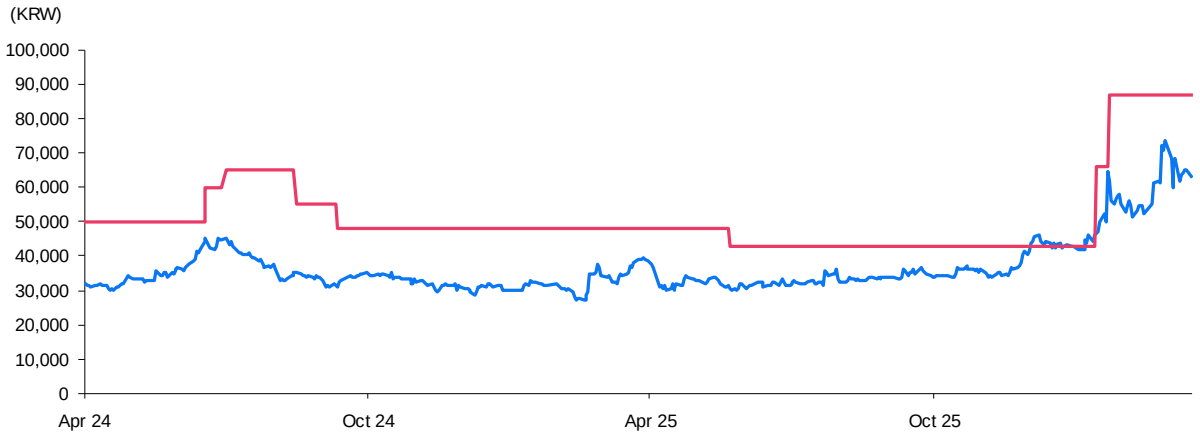
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/7/6	2024/6/18	7/1	8/16	9/11	2025/5/22	2026/1/14	1/22
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	50000	60000	65000	55000	48000	43000	66000	87000
Gap* (average)	-32.97	-27.26	-41.11	-40.00	-32.28	-17.11	-19.92	
(max or min)**	-11.60	-24.67	-32.08	-37.09	-17.29	7.79	-1.82	

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

Samsung Securities uses the following investment ratings*

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%)

Global Disclosures & Disclaimers

General

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