COMPANY UPDATE

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Samsung SDI (006400)

Rise in North American ESS production and potential for equity value adjustment

- Samsung SDI should post consensus-beating 1Q results.
- Although we revise down our full-year 2026 earnings forecasts to reflect profitability pressure in North American ESS, we anticipate earnings turnaround in 4Q.
- We raise our target price for the stock to KRW530,000 and maintain BUY.

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AT A GLANCE

BUY

Target price	KRW530,000	10.4%
Current price	KRW480,000	
Market cap	KRW38.7t/USD26.1b	
Shares (float)	80,585,530 (72.6%)	
52-week high/low	KRW480,000/KRW160,200	
Avg daily trading value (60-day)	KRW419.0b/ USD282.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Samsung SDI (%)	23.4	132.4	185.5
Vs Kospi (%pts)	12.2	42.8	13.4

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	530,000	420,000	26.2%
2026E EPS	0	0	n/a
2027E EPS	8,992	8,992	0.0%

SAMSUNG vs THE STREET

No of estimates	21
Target price	492,381
Recommendation	4.0

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

WHAT'S THE STORY?

1Q preview: We forecast Samsung SDI to post 1Q sales of KRW3.4t and an operating loss of KRW236.3b—better than FnGuide consensus of an operating loss of KRW263.5b. Despite continued weak EV battery shipments, sustained demand for North American joint venture ESS should enable the company to book KRW93b in advanced manufacturing production credit (AMPC) in 1Q.

Revising down 2026 full-year guidance: We now forecast the company to post 2026 sales of KRW15.6tr and an operating loss of KRW319.8b. North American ESS LFP production lines should ramp up in 4Q, driving a sharp y-y hike in ESS sales (from KRW3t in 2025 to KRW4.4t in 2026) and a 2.3x y-y increase in AMPC (from KRW275.1b in 2025 to KRW619.7b in 2026). But profitability in the ESS segment (excluding AMPC) should decline y-y, due to: 1) a hike in costs following the shift of some Hungarian production capacity to ESS; and 2) the higher portion of North American ESS output, which carries lower margins than domestic production. In 2025, 80% of ESS sales were generated from domestic production.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	13,267	15,714	20,195	24,694
Operating profit (KRWb)	-1,722	-310	1,101	1,725
Net profit (adj) (KRWb)	-585	145	1,071	1,478
EPS (adj) (KRW)	-8,325	0	8,992	13,305
EPS (adj) growth (% y-y)	nm	-100.0	nm	48.0
EBITDA margin (%)	0.8	12.1	16.9	16.4
ROE (%)	-3.2	0.0	3.3	4.7
P/E (adj) (x)	n/a	n/a	53.4	36.1
P/B (x)	1.0	1.7	1.7	1.6
EV/EBITDA (x)	314.4	27.7	16.4	14.5
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

Earnings turnaround expected for 4Q: With recent progress in expanding North American ESS capacity, Samsung SDI has secured three consecutive contract wins with US-based energy companies over the past four months. As the new LFP production line comes online in 4Q, sales are expected to surge rapidly. Combined with the resultant significant hike in AMPC, the company is well-positioned to turn around in 4Q.

Raising target price to KRW530,000; maintaining BUY: We raise our target price for the stock by 26%, driven by two key adjustments—1) an increase in the peer group's EV/EBITDA multiple (applied to the battery segment in the SOTP valuation) from 10.7x to 12.2x; and 2) a significant upward revision in the estimated value of non-operating assets, from KRW6.3t (as of end-2024) to KRW10.8t, due to appreciation of Samsung E&A shares (11% stake, up 70% over the past six months) and revised valuations for other non-listed holdings, such as Samsung Display (valued at a 50% discount to book value) .

We maintain BUY, in light of: 1) the upcoming full-scale launch of European-bound EV models from Korean automakers equipped with Samsung SDI batteries in 2H; and 2) the projected ramp-up of the second North American ESS production line in 4Q and the likelihood of quarterly profitability. Meanwhile, in February, the company announced its intention to sell its 15.2% stake in Samsung Display. While currently carried on the books at KRW4.8t, the fair value as of end-2025 is estimated at KRW11.2t. Once the divestment process becomes concrete, it could significantly enhance corporate valuation.

1Q preview

(KRWb)	1Q25E	1Q25	4Q25	Chg	
				(% y-y)	(% q-q)
Sales	3,443.1	3,176.8	3,858.7	-0.7	-0.9
Operating profit	-236.3	-434.1	-299.2	To remain neg	To remain neg
Pre-tax profit	-181.4	-348.9	-347.2	To remain neg	To remain neg
Net profit	-261.4	-216.0	-207.8	To remain neg	To turn neg
Margins (%)					
Operating profit	-6.9	-13.7	-7.8		
Pre-tax profit	-5.3	-11.0	-9.0		
Net profit	-7.6	-6.8	-5.4		

Source: Company data, Samsung Securities

Revisions to full-year forecasts

(KRWb)	2026E			2027E		
	Old	New	Diff (%)	Old	New	Diff (%)
Sales	15,542.1	15,714.2	1.1	19,532.5	20,194.8	3.4
Operating profit	352.0	-310.1	nm	2,165.9	1,101.1	-49.2
Pre-tax profit	547.5	170.4	-68.9	2,194.0	1,409.5	-35.8
Net profit	438.0	144.8	-66.9	1,667.5	1,071.2	-35.8

Source: Samsung Securities estimates

Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025	2026E	2027E
Sales	**3,176.8**	**3,179.4**	**3,051.8**	**3,858.7**	**3,443.1**	**3,672.5**	**3,939.8**	**4,658.9**	**4,442.7**	**4,812.0**	**5,268.1**	**5,672.0**	**13,266.7**	**15,714.2**	**20,194.8**
Batteries	2,980.9	2,961.2	2,820.0	3,622.0	3,201.7	3,394.8	3,639.6	4,353.0	4,146.2	4,463.5	4,889.3	5,296.8	12,384.1	14,589.1	18,795.9
LiB (IT)	641.6	833.7	875.2	869.6	895.1	939.5	986.3	1,035.6	983.2	1,032.0	1,186.6	1,305.2	3,220.1	3,856.6	4,507.0
LiB (EV+ESS)	2,339.3	2,127.5	1,944.8	2,752.4	2,306.6	2,455.2	2,653.3	3,317.4	3,163.0	3,431.5	3,702.8	3,991.6	9,163.9	10,732.5	14,288.9
Electronic materials	195.9	218.2	231.8	236.7	241.4	277.7	300.1	305.9	296.5	348.5	378.7	375.2	882.6	1,125.2	1,398.9
Operating profit	**-434.1**	**-397.8**	**-591.3**	**-299.2**	**-236.3**	**-147.8**	**-28.2**	**102.2**	**139.4**	**220.5**	**374.7**	**366.5**	**-1,722.4**	**-310.1**	**1,101.1**
Batteries	-452.4	-430.8	-630.1	-338.5	-275.9	-192.3	-78.9	60.0	95.4	164.7	306.4	307.5	-1,851.8	-487.1	874.0
LIB (IT)	-224.6	-72.9	-48.1	-95.6	-80.6	-65.8	-29.6	10.4	9.8	20.6	47.5	39.2	-441.2	-165.6	117.1
LIB (EV+ESS)	-227.8	-357.9	-582.0	-242.8	-195.4	-126.5	-49.3	49.7	85.5	144.0	259.0	268.4	-1,410.6	-321.5	756.9
IRA (AMPC)	109.4	66.4	19.5	79.8	93.3	96.1	99.2	331.0	342.1	364.3	386.5	408.7	275.1	619.7	1,501.6
Electronic materials	18.3	33.0	38.8	39.3	39.6	44.5	50.7	42.2	44.0	55.8	68.2	59.0	129.4	177.0	227.2
Operating margin (%)	**-13.7**	**-12.5**	**-19.4**	**-7.8**	**-6.9**	**-4.0**	**-0.7**	**2.2**	**3.1**	**4.6**	**7.1**	**6.5**	**-13.0**	**-2.0**	**5.5**
Batteries	-15.2	-14.5	-22.3	-9.3	-8.6	-5.7	-2.2	1.4	2.3	3.7	6.3	5.8	-15.0	-3.3	4.6
Electronic materials	9.3	15.1	16.7	16.6	16.4	16.0	16.9	13.8	14.9	16.0	18.0	15.7	14.7	15.7	16.2

Source: Company data, Samsung Securities estimates

Target-price calculation

(KRWb)		Note
Operating value	**45,583**	
Established business*	**8,985**	
LIB (IT)	6,333	2027E Weighted Average EBITDA x Peer Group 2026E EV/EBITDA
ECM*	2,651	2027E Weighted Average EBITDA x Peer Group 2026E EV/EBITDA
New growth business	**36,598**	
LIB (EV, ESS)**	36,598	2027E Weighted Average EBITDA x Peer Group 2026E EV/EBITDA
Non-operating value	**10,794**	
Listed subsidiaries	2,655	As of Apr 7 close
Unlisted subsidiaries	3,301	30% discount to 2025 book value
Samsung Display	4,837	2025 book value
Net debt	**11,268**	End-2026
Net asset value	45,109	
Discount (%)	20%	Risk of slowdown in market (20%)
NAVPS	524,790	
Target price (KRW)	**530,000**	
Current price (KRW)	456,500	As of Apr 7, 2026 close
Upside (%)	16.1	

Note: * Applied peer group average multiples by division to the 2027E weighted average EBITDA (Small batteries 12.2x, Electronic materials 8.8x)
** Applied peer group average multiple by division to the 2027E weighted average EBITDA (12.2x)
*** Excluding Samsung Display

Source: Bloomberg, Samsung Securities estimates

AMPC estimates and reflection on net profit (non-controlling interests)

		2024	2025E	2026E	2027E
AMPC estimates	**Capacity (cell) based on installations (at year-end)**				
	Michigan (pack)	3	3	3	3
	SPE 1	33	33	33	33
	GM JV				-
	Utilization rate				
	Michigan (pack)	86%	41%	76%	88%
	SPE 1	1%	12%	29%	75%
	GM JV				0%
	Output				
	Michigan (pack)	3	1	2	3
	SPE 1	0	4	10	25
	GM JV	-	-	-	-
	AMPC credit (USD/kWh)				
	Cell	35	35	35	35
	Module/pack	10	10	10	10
	AMPC reflection				
	AMPC (USDm)	66	192	460	1,142
	AMPC (KRWb)	90	275	620	1,502
Net profit (non-controlling interests) estimates	**Net profit (KRWb)**	576	-585	145	1,071
	Net profit (controlling interests)	599	-649	-	739
	Net profit (non-controlling interests)	-24	65	145	332
	AMPC net profit (non-controlling interests)	9	105	130	311

Source: Samsung SDI, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**16,592**	**13,267**	**15,714**	**20,195**	**24,694**
Cost of goods sold	13,499	11,805	11,944	13,876	16,611
Gross profit	**3,094**	**1,462**	**3,771**	**6,319**	**8,083**
Gross margin (%)	18.6	11.0	24.0	31.3	32.7
SG&A expenses	2,820	3,459	4,081	5,218	6,358
Operating profit	**363**	**-1,722**	**-310**	**1,101**	**1,725**
Operating margin (%)	2.2	-13.0	-2.0	5.5	7.0
Non-operating gains (losses)	**219**	**648**	**480**	**308**	**333**
Financial profit	1,129	762	28	11	12
Financial costs	1,603	1,054	314	363	439
Equity-method gains (losses)	801	838	866	760	760
Other	-108	102	-100	-100	0
Pre-tax profit	**582**	**-1,074**	**170**	**1,410**	**2,058**
Taxes	7	-489	26	338	580
Effective tax rate (%)	1.2	45.5	15.0	24.0	28.2
Profit from continuing operations	520	-875	145	1,071	1,478
Profit from discontinued operations	55	290	0	0	0
Net profit	**576**	**-585**	**145**	**1,071**	**1,478**
Net margin (%)	3.5	-4.4	0.9	5.3	6.0
Net profit (controlling interests)	599	-649	0	739	1,094
Net profit (non-controlling interests)	-24	65	145	332	384
EBITDA	2,148	105	1,902	3,409	4,056
EBITDA margin (%)	12.9	0.8	12.1	16.9	16.4
EPS (parent-based) (KRW)	8,288	-8,325	0	8,992	13,305
EPS (consolidated) (KRW)	7,959	-7,497	1,762	13,031	17,980
Adjusted EPS (KRW)*	8,288	-8,325	0	8,992	13,305

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**10,334**	**8,740**	**8,819**	**10,839**	**13,584**
Cash & equivalents	1,885	1,804	292	49	389
Accounts receivable	2,729	2,146	2,887	3,672	4,490
Inventories	2,879	2,936	3,444	4,297	5,254
Other current assets	2,841	1,854	2,196	2,822	3,450
Fixed assets	**30,263**	**33,515**	**36,304**	**40,790**	**44,870**
Investment assets	11,187	12,808	14,935	18,829	22,740
Tangible assets	17,707	19,241	19,998	20,643	20,853
Intangible assets	668	584	515	461	421
Other long-term assets	701	883	856	856	856
Total assets	**40,597**	**42,255**	**45,123**	**51,629**	**58,453**
Current liabilities	**10,856**	**9,795**	**9,492**	**11,625**	**13,764**
Accounts payable	906	1,071	1,429	1,836	2,245
Short-term debt	5,394	3,915	4,115	4,715	5,315
Other current liabilities	4,557	4,809	3,948	5,074	6,205
Long-term liabilities	**8,174**	**8,890**	**11,492**	**14,794**	**18,001**
Bonds & long-term debt	5,064	5,493	7,493	9,693	11,793
Other long-term liabilities	3,111	3,397	3,999	5,101	6,207
Total liabilities	**19,030**	**18,685**	**20,984**	**26,419**	**31,765**
Owners of parent equity	**19,766**	**21,443**	**21,867**	**22,606**	**23,700**
Capital stock	357	416	416	416	416
Capital surplus	5,002	6,589	6,589	6,589	6,589
Retained earnings	12,780	12,089	12,089	12,828	13,922
Other	1,628	2,349	2,774	2,774	2,774
Non-controlling interests' equity	**1,801**	**2,127**	**2,272**	**2,604**	**2,988**
Total equity	**21,567**	**23,570**	**24,139**	**25,210**	**26,688**
Net debt	9,679	9,061	11,268	14,260	16,567

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-138**	**792**	**1,503**	**3,042**	**3,343**
Net profit	576	-585	145	1,071	1,478
Non-cash profit and expenses	2,397	1,910	1,631	2,212	2,551
Depreciation	1,795	2,012	2,143	2,254	2,291
Amortization	80	91	70	53	41
Other	522	-193	-581	-96	220
Changes in A/L from operating activities	-2,622	-142	12	423	294
Cash flow from investments	**-4,920**	**-1,999**	**-2,957**	**-3,005**	**-2,605**
Change in tangible assets	-6,263	-3,048	-2,900	-2,900	-2,500
Change in financial assets	428	-39	-57	-105	-105
Other	915	1,089	-0	-0	-0
Cash flow from financing	**5,544**	**865**	**734**	**2,818**	**2,718**
Change in debt	5,941	-668	734	2,818	2,718
Change in equity	0	1,646	0	0	0
Dividends	-70	-70	0	0	0
Other	-327	-43	0	0	0
Change in cash	361	-334	-1,512	-244	341
Cash at beginning of year	1,524	2,138	1,804	292	49
Cash at end of year	1,885	1,804	292	49	389
Gross cash flow	**2,972**	**1,325**	**1,776**	**3,283**	**4,029**
Free cash flow	**-6,409**	**-2,274**	**-1,397**	**142**	**843**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-22.6	-20.0	18.4	28.5	22.3
Operating profit	-76.5	nm	nm	nm	56.7
Net profit	-72.1	nm	nm	639.8	38.0
Adjusted EPS**	-70.2	nm	-100.0	nm	48.0
Per-share data (KRW)					
EPS (parent-based)	8,288	-8,325	0	8,992	13,305
EPS (consolidated)	7,959	-7,497	1,762	13,031	17,980
Adjusted EPS**	8,288	-8,325	0	8,992	13,305
BVPS	287,707	272,485	277,876	287,269	301,168
DPS (common)	973	0	0	0	0
Valuations (x)					
P/E***	29.2	n/a	n/a	53.4	36.1
P/B***	0.8	1.0	1.7	1.7	1.6
EV/EBITDA	13.4	314.4	27.7	16.4	14.5
Ratios (%)					
ROE	3.1	-3.2	0.0	3.3	4.7
ROA	1.5	-1.4	0.3	2.2	2.7
ROIC	1.9	-4.8	-1.1	3.4	4.7
Payout ratio	10.9	0.0	n/a	0.0	0.0
Dividend yield (common)	0.4	0.0	0.0	0.0	0.0
Net debt to equity	44.9	38.4	46.7	56.6	62.1
Interest coverage (x)	1.1	-5.5	-1.0	3.0	3.9

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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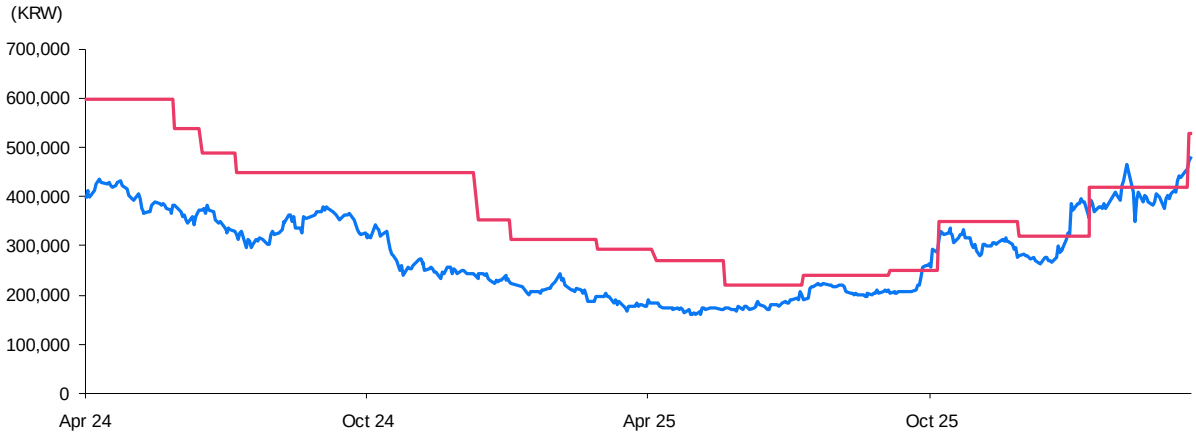
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/1/30	6/20	7/8	7/30	2025/1/2	1/24	3/21	4/28	6/11	8/1	9/26	10/28
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	597210	538468	489517	450355	352452	313291	293710	270000	220000	240000	250000	350000
Gap* (average)	-32.48	-32.88	-28.53	-31.99	-33.69	-32.91	-37.37	-37.02	-18.49	-12.36	-5.25	-11.76
(max or min)**	-20.33	-29.27	-22.10	-15.76	-30.69	-22.81	-30.50	-32.00	-6.36	-6.25	17.20	-3.57

Date	12/19	2026/2/3	4/8
Recommendation	BUY	BUY	BUY
Target price (KRW)	320000	420000	530000
Gap* (average)	-2.27	-3.82	
(max or min)**	23.91	10.95	

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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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 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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