COMPANY UPDATE

2026. 4. 14

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EV/Mobility Team

Hyunryul Cho
Senior Analyst
hyunryul.cho@samsung.com

Wonyoung Kim
Research Associate
wonyoung10.kim@samsung.com

Hanjung NCS (107640)

Earnings to surge in 2027

- Hanjung NCS, a key supplier of water-cooled ESS cooling systems to Samsung SDI, is positioned to benefit from the global ESS expansion trend.
- Next year, the firm's new facility (a Samsung SDI-dedicated plant in the US) should expand its product lineup from two to four core water-cooled ESS cooling system models, leading to meaningful top-line growth.
- In 2027: 1) its investments should start bolstering sales in earnest; and 2) its profitability and earnings momentum should be driven by growing global demand for ESS.

WHAT'S THE STORY?

2025 review—Preparing to leap forward: In 2025, Hanjung NCS posted consolidated sales of KRW175.3b (down 1.1%) and an operating profit of KRW4b (down 57.9%). While sales at the ESS business (which produces water-cooled cooling systems) jumped 33.3% to KRW143b, sales at the EV and internal combustion engine (ICE) parts businesses slumped 40.2% and 83.9%, respectively, to KRW28.8b and KRW3.5b. Although the ESS portion of its revenue rose 21.1%pts y-y (its ESS sales generate higher margins), the firm's operating margin fell 3.1%pts y-y due to the recognition of strategic upfront investments: Development costs (relating to two new Samsung Battery Box (SBB) models (SBB 1.7 and SBB 2.0) for Samsung SDI) and related workforce expansions. These investments should start bolstering its sales and profitability in earnest from 2027.

The countdown to 2027: Hanjung NCS is on track to record meaningful growth in 2027, driven by three key developments: 1) a full SBB product lineup for Samsung SDI; 2) the completion of construction of a Samsung SDI-dedicated plant in the US; and 3) the start of deliveries of EV parts to LG Energy Solution (LGES).

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2022	2023	2024	2025
Revenue (KRWb)	89	122	177	175
Operating profit (KRWb)	(14)	(13)	10	4
Net Profit (KRWb)	(20)	(19)	15	5
EPS (adj) (KRW)	n/a	n/a	2,627	619
EPS (adj) growth (%)	nm	nm	nm	(76.4)
EBITDA margin (%)	(10.3)	(6.5)	8.3	5.7
ROE (%)	(91.5)	(83.2)	36.1	4.5
P/E (adj) (x)	n/a	n/a	n/a	n/a
P/B (x)	n/a	n/a	n/a	n/a
EV/EBITDA (x)	n/a	n/a	1.0	6.0
Dividend yield (%)	n/a	n/a	n/a	n/a

Source: Company data, Samsung Securities estimates

AT A GLANCE

Not Rated

Target price	n/a
Current price	**KRW53,800**
Market Cap	KRW487.69b/USD327.48m
Shares (float)	9,064,946 (64.5%)
52-week high/low	KRW61,300/KRW22,850
Avg daily trading value (60-day)	KRW12.5b/ USD8.4m

ONE-YEAR PERFORMANCE

	1M	6M	12M
Hanjung NCS (%)	-11.1	58.7	135.4
Vs Kosdaq (%pts)	-6.8	24.2	48.9

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	Not Rated		
Target price	n/a		
2026E EPS	n/a		
2027E EPS	n/a		

SAMSUNG vs THE STREET

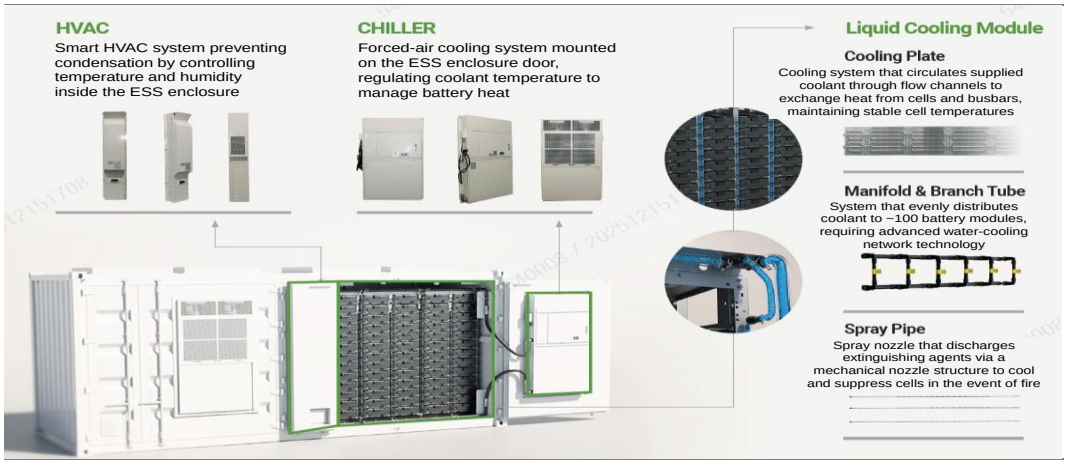
No of estimates	2
Target price	82,500
Recommendation	4.0

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

- SBB 1.7 and SBB 2.0 are set to hit the market in Jul and Dec 2026, respectively. SBB 1.7 (6.14 MWh) has a 16.7% higher energy capacity than its predecessor (5.26 MWh). SBB 2.0 will use LFP chemistry (NCA chemistry is used in previous models), which is now the industry standard, and be sold alongside previous SBB models (NCA chemistry). This dual-chemistry approach should broaden its market reach and better align with evolving customer needs. With full-scale production of the complete SBB lineup expected in 2027, significant sales growth is anticipated.
- Construction of a Samsung SDI-dedicated plant in the US is set to begin in April in Indiana, near StarPlus Energy (a JV between Samsung SDI and Stellantis). Pilot production should start in 1Q27 and full-scale production in 2H27. The new facility should enable Hanjung NCS to respond more effectively to new-product demand from Samsung SDI. With Hanjung NCS's ESS division's 2025 sales (KRW143b) accounting for 71% of its Korean plant's sales capacity (KRW200b), the new US plant is essential to meeting future client demand and securing long-term contracts.
- Hanjung NCS officially became a qualified supplier to LGES in 4Q25, and has been developing cooling plates for the client's EV business. To support this, the company acquired a dedicated facility near its headquarters in Yeongcheon, Gyeongsangbuk-do. Deliveries to LGES are expected to begin in 1H27. While the sales size has yet to be confirmed, this new relationship should reduce customer concentration risk and establish a second growth pillar (alongside the ESS segment), setting the stage for balanced earnings growth from 2027.

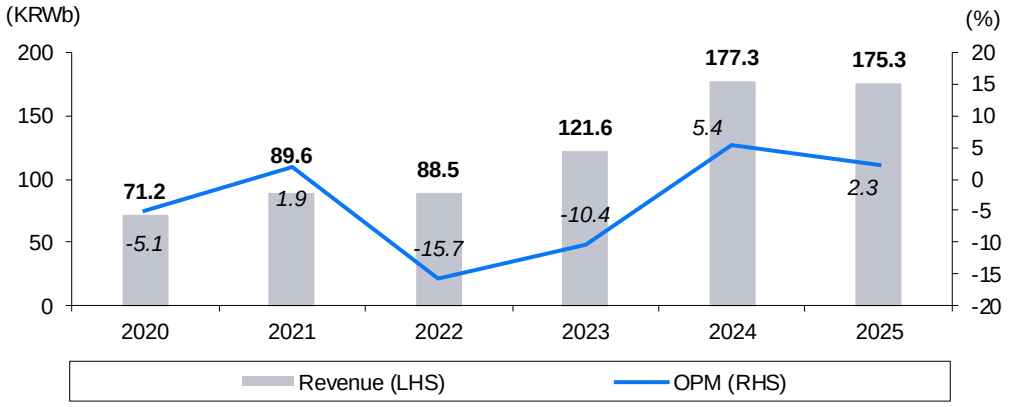
View—Entering growth phase in 2026: Hanjung NCS is set to resume growing in 2026, with both its sales and earnings set to recover. The start of mass-production of new ESS and EV products should drive organic expansion. Furthermore, the company should make more than KRW40b in sales in 2026 by providing products to Samsung SDI, which company has been finalized as the supplier of battery cells for Korea's first- and second-round ESS central procurement contracts, with confirmed volumes of 429 MW (Phase 1) and 202 MW (Phase 2). Meanwhile, profitability should improve as high-margin ESS sales gain traction and its ESS sales portion grows. Domestic affiliates HDC and HJ Futures are expected to report normalized earnings this year, while Hanjung NCS's loss-making ICE business is expected to be fully phased out by mid-2026. The stock, which reached a new high in March, has since pulled back amid broader geopolitical uncertainty, lowering valuation pressure and improving its risk-reward profile. Key drivers for 2026 include: New orders from its key customer and strong demand for ESS systems, especially in North America.

Hanjung NCS: Key products for liquid-cooled ESS cooling systems



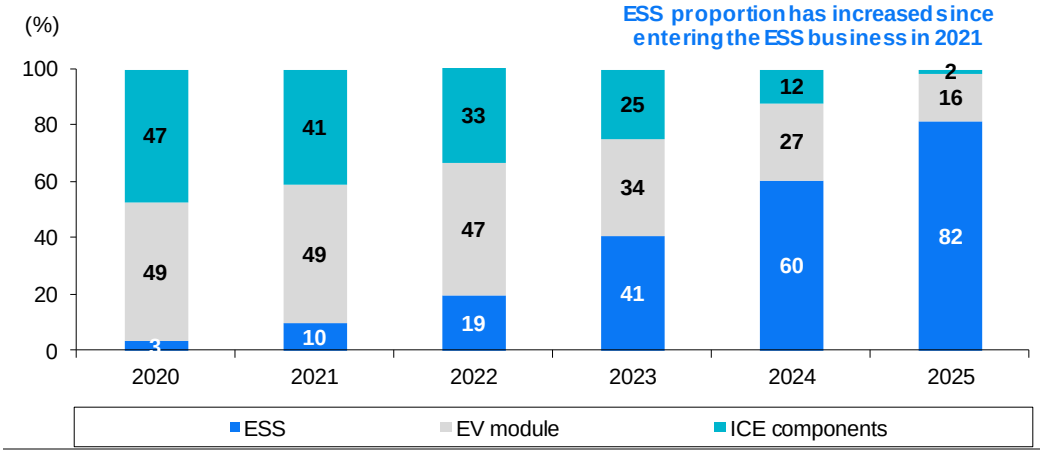
Source: Company data, Samsung Securities

Hanjung NCS: Revenue vs operating margin



Source: Company data, Samsung Securities

Hanjung NCS: Revenue portion, by business



Source: Company data, Samsung Securities

Samsung SDI: SBB product lineup

Product name	Launch date	Cell capacity	Energy	Chemistry	Production site	Hanjung NCS supply timeline*
SBB 1.0	May 2024	145Ah	3.84 MWh	NCA	Korea	2024
SBB 1.5	Sep 2024	145Ah	5.26 MWh	NCA	Korea	2025~
SBB 1.7	Jul 2026	152Ah	6.14 MWh	NCA	US	Mar 2026
SBB 2.0	Dec 2026	273Ah	5.0 MWh	LFP	US	2H26

Note: *Start date for the supply of Hanjung NCS's liquid cooling systems equipped in Samsung SDI's SBB products.
Source: Company data, Samsung Securities

Samsung SDI: SBB order status

Date	Client	Product*	Contract size	Supply period	Details
Mar 2026	Major Energy Firm (US)	SBB1.5/SBB1/7/SBB2.0	KRW1.5t	2026-2029	Produced at US plant
Feb 2026	2nd ESS Centralized Contract Market Bid (Korea)	SBB1.5/SBB1.7	KRW360b	2026-2027	Won 36% of the total 565 MW order
Jan 2026	Tesla (US)	SBB2.0	KRW3t-5t	2027-2029년	Details undisclosed due to NDA; based on media estimates. Estimated supply of 10 GWh batteries annually for 3 years.
Dec 2025	Major Energy Firm (US)	SBB2.0	Over KRW2t	2027-2029	Produced at US plant
Jul 2025	1st ESS Centralized Contract Market Bid (Korea)	SBB1.5	KRW760b	2025-2026	Won 76% of the total 536 MW order
Jun 2025	Tesvolt (Germany)	SBB1.0 / SBB1.5	Undisclosed	2025~	Track record of supplying ESS batteries since 2017
Mar 2025	NextEra Energy (US)	SBB1.0/SBB1.5	KRW437.4b	2024-2025	Part of a long-term supply project; follow-up disclosures possible
2Q 2024	Fluence Energy (US)	ESS Battery	Undisclosed	2024~?	Supply size is less than 10% of annual revenue

Note: *Estimated SBB product lineup for each order based on delivery timeline and chemistry (NCA or LFP).
Source: Company data, Samsung Securities

Hanjung NCS: Results

(KRWb)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	2020	2021	2022	2023	2024	2025
KRW/USD (average)	1,329	1,371	1,358	1,400	1,453	1,401	1,387	1,449	1,180	1,145	1,292	1,306	1,365	1,422
Sales	**30.6**	**43.6**	**47.6**	**55.4**	**33.1**	**36.4**	**45.9**	**59.9**	**71.2**	**89.6**	**88.5**	**121.6**	**177.3**	**175.3**
Growth (% q-q)	-8.2	42.5	9.1	16.4	-40.2	10.0	25.9	30.5						
Growth (% y-y)	2.2	48.6	65.1	66.0	8.1	-16.5	-3.6	8.1	-13.8	25.9	-1.2	37.3	45.8	-1.1
ESS	14.8	21.1	32.2	39.1	21.8	28.3	39.1	53.8	2.5	8.9	17.2	49.6	107.2	143.0
EV module	9.5	13.5	11.5	13.7	9.4	7.4	6.6	5.3	34.9	43.7	41.7	41.4	48.1	28.8
ICE components	6.4	9.1	3.8	2.7	1.7	0.9	0.2	0.8	33.8	36.7	29.6	30.6	21.9	3.5
EBITDA	**1.0**	**3.6**	**2.9**	**7.3**	**0.8**	**1.9**	**2.9**	**4.4**	**0.8**	**6.3**	**-9.3**	**-7.9**	**14.7**	**10.0**
Growth (% q-q)	Turnedpos	278.8	-21.4	154.2	-88.7	129.7	54.8	49.9						
Growth (% y-y)	Turnedpos	Turnedpos	Turnedpos	Turnedpos	-14.3	-48.0	2.4	-39.6	-88.0	702.8	Turnedneg	Remainedneg	Turnedpos	-31.9
Operating profit	**-0.3**	**2.4**	**1.6**	**5.9**	**-0.6**	**0.4**	**1.5**	**2.7**	**-3.7**	**1.7**	**-13.9**	**-12.7**	**9.6**	**4.0**
Growth (% q-q)	Remainedneg	Turnedpos	-33.2	271.1	Turnedneg	Turnedpos	284.1	78.3						
Growth (% y-y)	Remainedneg	Turnedpos	Turnedpos	Turnedpos	Remainedneg	-83.3	-3.7	-53.8	Turnedneg	Turnedpos	Turnedneg	Remainedneg	Turnedpos	-57.9
Pre-tax profit	-1.4	1.1	0.9	5.1	-1.1	-0.3	2.2	-1.1	-5.7	-1.8	-20.4	-16.2	5.8	-0.3
Growth (% q-q)	Remainedneg	Turnedpos	-11.6	444.3	Turnedneg	Remainedneg	Turnedpos	Turnedneg						
Growth (% y-y)	Remainedneg	Turnedpos	Turnedpos	Turnedpos	Remainedneg	Turnedneg	128.6	Turnedneg	Turnedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	Turnedneg
Net profit	**-1.4**	**1.1**	**0.9**	**14.7**	**-1.0**	**0.2**	**1.4**	**4.2**	**-4.3**	**-1.9**	**-20.3**	**-18.6**	**15.4**	**4.9**
Growth (% q-q)	Remainedneg	Turnedpos	-11.6	1,459.1	Turnedneg	Turnedpos	592.2	200.9						
Growth (% y-y)	Remainedneg	Turnedpos	Turnedpos	Turnedpos	Remainedneg	-81.0	49.1	-71.2	Turnedneg	Remainedneg	Remainedneg	Remainedneg	Turnedpos	-68.2
Attr. to parent	**-0.8**	**1.8**	**1.4**	**14.8**	**-0.6**	**0.1**	**0.6**	**4.0**	**-4.3**	**-1.9**	**-20.2**	**-16.4**	**17.3**	**4.1**
Margins (%)														
EBITDA	3.1	8.3	6.0	13.1	2.5	5.2	6.4	7.3	1.1	7.1	-10.5	-6.5	8.3	5.7
Operating profit	-0.9	5.4	3.3	10.6	-1.9	1.1	3.3	4.6	-5.1	1.9	-15.7	-10.4	5.4	2.3
Pre-tax profit	-4.5	2.5	2.0	9.3	-3.2	-1.0	4.7	-1.9	-8.0	-2.0	-23.0	-13.3	3.3	-0.2
Net profit	-4.5	2.4	2.0	26.6	-2.9	0.6	3.1	7.1	-6.0	-2.1	-22.9	-15.3	8.7	2.8

Source: Company data, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025
Sales	**90**	**89**	**122**	**177**	**175**
Cost of goods sold	79	90	119	150	144
Gross profit	**11**	**(1)**	**3**	**27**	**31**
Gross margin (%)	11.9	(1.5)	2.2	15.2	17.7
SG&A expenses	9	13	15	17	27
Operating profit	**2**	**(14)**	**(13)**	**10**	**4**
Operating margin (%)	1.9	(15.7)	(10.4)	5.4	2.3
Non-operating Gains (Losses)	**(3)**	**(6)**	**(3)**	**(4)**	**(4)**
Financial Profit	0	0	0	1	1
Financial Costs	2	2	4	5	4
Gains (Losses) in Equity Method	0	0	0	0	0
Other	(2)	(4)	1	(0)	(2)
Pre-tax profit	**(2)**	**(20)**	**(16)**	**6**	**(0)**
Taxes	0	(0)	2	(10)	(5)
Effective tax rate (%)	(2.8)	0.5	(15.4)	(165.0)	1,501.3
Profit from continuing operations	(2)	(20)	(19)	15	5
Profit from discontinued operations	0	0	0	0	0
Net profit	**(2)**	**(20)**	**(19)**	**15**	**5**
Net margin (%)	(2.1)	(22.9)	(15.3)	8.7	2.8
Net profit (Controlling Interests)	(2)	(20)	(16)	17	4
Net profit (Non-controlling Interests)	0	(0)	(2)	(2)	1
EBITDA	6	(9)	(8)	15	10
EBITDA margin (%)	7.0	(10.3)	(6.5)	8.3	5.7
EPS (parent) (KRW)	n/a	n/a	n/a	2,627	619
EPS (consolidated) (KRW)	n/a	n/a	n/a	2,331	742
Adjusted EPS (KRW)*	n/a	n/a	n/a	2,627	619

Balance sheet

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025
Current assets	**45**	**49**	**42**	**75**	**105**
Cash & equivalents	1	11	9	30	48
Accounts receivable	15	12	17	14	20
Inventories	21	15	11	14	22
Other current assets	8	11	5	17	16
Fixed assets	**49**	**68**	**80**	**92**	**148**
Investment assets	1	2	1	1	1
Tangible assets	46	66	79	84	136
Intangible assets	1	1	1	1	1
Other long-term assets	0	0	0	6	10
Total assets	**93**	**117**	**123**	**167**	**253**
Current liabilities	**60**	**58**	**65**	**50**	**116**
Accounts payable	14	15	23	18	22
Short-term debt	21	23	23	15	44
Other current liabilities	25	21	19	17	49
Long-term liabilities	**15**	**31**	**44**	**37**	**37**
Bond & long-term debt	14	18	28	22	23
Other long-term liabilities	2	13	17	14	15
Total liabilities	**75**	**89**	**109**	**86**	**153**
Owners of parent equity	**18**	**26**	**13**	**82**	**98**
Capital stock	2	4	4	5	5
Capital surplus	2	28	28	79	50
Retained earnings	5	(15)	(31)	(14)	34
Other	9	9	13	12	9
Non-controlling interests equity	**0**	**2**	**0**	**(2)**	**2**
Total equity	**18**	**28**	**13**	**80**	**100**
Net debt	54	53	64	17	58

Cash flow statement

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025
Cash flow from operations	**2**	**(1)**	**5**	**6**	**1**
Net profit	(2)	(20)	(19)	15	5
Non-Cash Profit and Expense	9	15	11	(3)	6
Depreciation	4	4	5	5	6
Amortization	0	0	0	0	0
Others	4	10	7	(8)	(0)
Changes in A/L from Operating Activities	(4)	6	15	(4)	(9)
Cash flow from investments	**(4)**	**(12)**	**(14)**	**(20)**	**(41)**
Change in Tangible Assets	(4)	(13)	(16)	(10)	(46)
Change in Financial Assets	0	0	0	(10)	5
Other	(0)	0	2	0	0
Cash flow from financing	**0**	**24**	**7**	**35**	**58**
Change in debt	1	10	8	(15)	53
Change in equity	n/a	n/a	n/a	n/a	n/a
Dividends	0	0	0	0	0
Other	n/a	n/a	n/a	n/a	n/a
Change in cash	(2)	10	(2)	21	17
Cash at beginning of year	3	1	11	9	30
Cash at end of year	1	11	9	30	48
Gross cash flow	**7**	**(6)**	**(7)**	**13**	**11**
Free cash flow	**(2)**	**(14)**	**(12)**	**(4)**	**(47)**

Financial ratios

Year-end Dec 31 (KRWb)	2021	2022	2023	2024	2025
Growth (%)					
Sales	25.9	(1.2)	37.3	45.8	(1.1)
Operating profit	nm	nm	nm	nm	(57.9)
Net profit	nm	nm	nm	nm	(68.2)
Adjusted EPS**	nm	nm	nm	nm	(76.4)
Per share data (KRW)					
EPS (parent)	n/a	n/a	n/a	2,627	619
EPS (consolidated)	n/a	n/a	n/a	2,331	742
Adjusted EPS **	n/a	n/a	n/a	2,627	619
BPS	2,734	3,956	2,044	12,500	14,896
DPS (common)	n/a	n/a	n/a	n/a	n/a
Valuations (x)					
P/E***	n/a	n/a	n/a	n/a	n/a
P/B***	n/a	n/a	n/a	n/a	n/a
EV/EBITDA	8.5	n/a	n/a	1.0	6.0
Ratios					
ROE (%)	(10.3)	(91.5)	(83.2)	36.1	4.5
ROA (%)	(2.0)	(19.2)	(15.5)	10.6	2.3
ROIC (%)	2.5	(18.4)	(18.2)	29.7	(47.1)
Payout ratio (%)	n/a	n/a	n/a	n/a	n/a
Dividend yield (Common, %)	n/a	n/a	n/a	n/a	n/a
Net debt to equity (%)	298.5	188.2	471.6	20.7	57.8
Interest coverage (x)	1.0	(6.4)	(3.0)	2.1	1.1

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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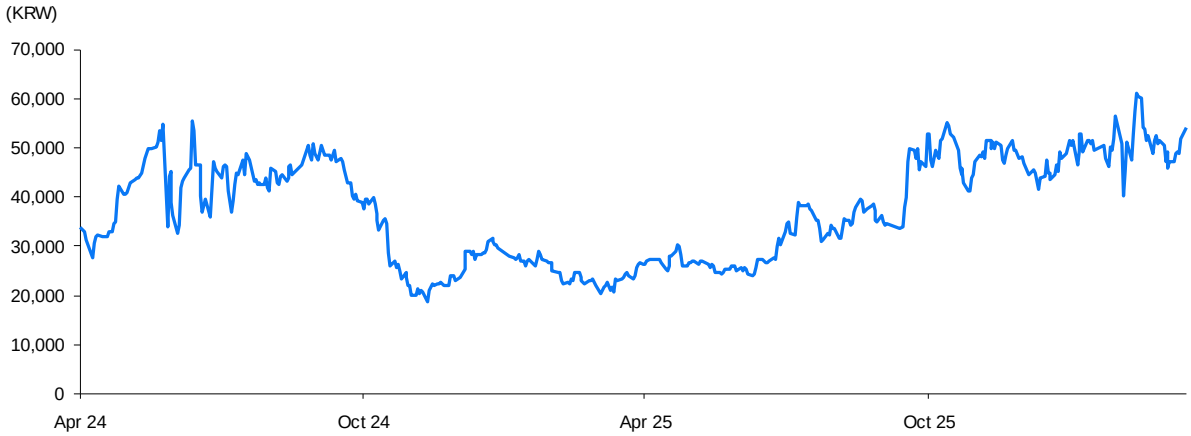
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/4/14
Recommendation	Not Rated
Target price (KRW)	n/a
Gap* (average)	
(max or min)**	

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 2026.03.31

BUY (85.2%)·HOLD (14.8%)·SELL (0%)

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Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao
Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

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