COMPANY INITIATION

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EV/Mobility Team

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SungEel HiTech (365340)

Prices, volume, and profitability all growing

- We initiate coverage of SungEel HiTech at BUY with a 12-month target price of KRW73,000.
- The company's sales should grow 68% in 2026 and it will likely book an annual operating profit for the first time in four years.
- It is well-positioned to benefit from favorable growth dynamics, driven by: 1) its enhanced ability to procure black mass (given new European battery regulations); and 2) metal prices, which are moving higher.

WHAT'S THE STORY?

Initiating coverage at BUY with a 12-month target price of KRW73,000: We initiate coverage of SungEel HiTech, a leading player in spent battery recycling, at BUY with a 12-month target price of KRW73,000. Our positive outlook is supported by the company's strong prospects for returning to profitability this year (which would be its first annual profit in four years), driven by increasing volume (thanks to new European battery regulations) and sustained ASP hikes (led by rising metal prices). Our target price is derived by applying its peer group's average 2026 P/E of 60x to our average 2026-2027 EPS estimate for the firm of KRW1,211.

To log first annual operating profit in four years: We forecast the company will post 2026 sales of KRW326.6b and an operating profit of KRW2.9b—its first full-year operating profit since its listing in 2022. Over 2023-2025, the company underperformed due to: 1) sharp declines in metal prices (*eg*, lithium carbonate prices fell 91% over Nov 2022-Jun 2025); and 2) low utilization rates at its clients (due to weak downstream demand). This year, however, led by a significant increase in processing volume and clear ASP hikes, the company's sales should grow 68% and it will likely return to an annual operating profit.

(Continued on the next page)

SUMMARY FINANCIAL DATA

	2025	2026E	2027E	2028E
Revenue (KRWb)	195	327	331	339
Operating profit (KRWb)	-55	3	15	17
Net profit (adj) (KRWb)	-81	17	15	16
EPS (adj) (KRW)	-6,364	1,341	1,167	1,255
EPS (adj) growth (% y-y)	nm	nm	-13.0	7.5
EBITDA margin (%)	-8.8	11.7	14.7	14.1
ROE (%)	-47.0	12.2	9.5	9.3
P/E (adj) (x)	n/a	51.5	59.2	55.1
P/B (x)	3.9	5.9	5.4	4.9
EV/EBITDA (x)	n/a	35.2	26.7	26.2
Dividend yield (%)	0.0	0.0	0.0	0.0

Source: Company data, Samsung Securities estimates

AT A GLANCE

BUY

Target price	KRW73,000	5.6%
Current price	**KRW69,100**	
Market cap	KRW848.04b/USD575.1m	
Shares (float)	12,272,701 (67.0%)	
52-week high/low	KRW73,000/KRW30,250	
Avg daily trading value (60-day)	KRW6.5b/ USD4.4m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
SungEel HiTech Co., Ltd. (%)	22.7	65.5	125.1
Vs Kosdaq (%pts)	20.1	23.2	35.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	Not Rated	
Target price	73,000	n/a	n/a
2026E EPS	1,341	n/a	n/a
2027E EPS	1,167	n/a	n/a

SAMSUNG vs THE STREET

No of estimates	3
Target price	68,667
Recommendation	4.0

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

Rebound in ASPs: Cobalt prices began to rebound early last year, followed by increases in lithium and nickel prices in 2H25. Metal prices (as of Feb 2026) are now much higher than their 2025 averages: Lithium has gained 114%, nickel 16%, and cobalt 57%. Looking at SungEel's 2025 revenue mix by recycled product, nickel accounted for 46% of its sales, cobalt 27%, and lithium 21%. Even after accounting for tolling agreements with customers, the company should see substantial ASP increases for its products in 2026 thanks to sustained metal-price strengthen.

Volume to return: This year, the volume of black mass being fed into SungEel HiTech's recycling system is likely to reach 23,000 tonnes, which would be 77% higher than the estimated 2025 figure of 13,000 tonnes. Currently, the primary feedstock for recycling is not end-of-life EV batteries, but rather black mass, which is generated as a byproduct during battery manufacturing processes. Against this backdrop, new EU battery regulations (effective from Mar 2025, as outlined in the European Commission's List of Waste) require that black mass generated in Europe must be recycled outside of China. In 2H25, SungEel HiTech signed a five-year supply agreement with BASF, a leading European pre-treatment provider for end-of-life batteries. As a result, the volume of feedstock available for recycling is likely to grow significantly, driving a substantial rise in recycled product output this year.

Risks: From an investment perspective, risks facing SungEel HiTech are the financial strain and earnings volatility caused by its prolonged losses. First, the company's net debt-to-equity ratio stood at a lofty 307% as of end-2025. However, the debt pressure should ease—there are no plans for new capital investments in the near term (beyond maintenance work), the company is likely to achieve a positive EBITDA soon, and KRW73b in unconverted CBs should begin to be redeemed in 4Q. Second, its EPS may experience volatility due to how corporate income taxes are accounted for. During the past three consecutive years of losses, changes in the recognition of deferred tax assets—potential future tax savings—resulted in tax impacts of KRW26.5b in 2024 and KRW3.6b in 2025. As a result, the firm booked a cumulative carried-forward loss of KRW82.6b. Of this, roughly KRW35b (stemming from temporary accounting estimates) may be reversed this year, contingent on improved operating performance at the parent and its overseas subsidiaries, as well as a more favorable future earnings outlook.

SungEel HiTech: Convertible bond issuance history

Item	3rd CB	4th CB	5th CB
Decision date	Apr 2024	Jan 2025	Nov 2025
Issuance amount (KRWb)	**50**	**53**	**20**
Purpose of funds	Working capital	Working capital (KRW30b), Debt repayment (KRW50b)	Working capital
Coupon rate (%)	0.0	1.0	1.0
Maturity yield (%)	2.0	4.0	4.0
Conversion ratio (%)	100	100	100
Conversion price (KRW/share)	79,171	41,336	41,896
Shares to be issued upon conversion (shares)	**631,544**	**1,282,175**	**477,372**
Portion of total outstanding shares	**4.96%**	**9.51%**	**3.77%**
Conversion period	Oct 30, 2025 ~ Mar 30, 2027	Oct 27, 2026 ~ Sep 27, 2030	Dec 10, 2026 ~ Nov 10, 2030
Current status	**Fully converted and retired (as of Oct 2025)**	**Unconverted**	**Unconverted**

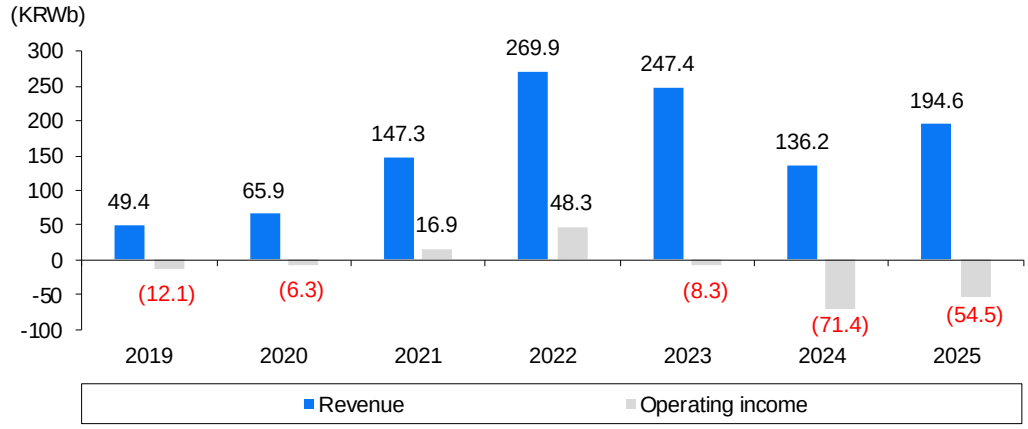
Source: Dart

Company overview and characteristics of rechargeable battery recycling industry

SungEel HiTech—a leader in Korea's rechargeable battery recycling industry: SungEel HiTech began in 2000 as a precious metals recycling business. In 2008, it started developing technology to extract cobalt from batteries through government-funded research projects. In 2011, it opened its first hydrometallurgy plant (Hydro Center 1) in Gunsan, marking its official entry into rechargeable battery recycling. In 2017, the company spun off its rechargeable battery recycling division into a new standalone entity, which became SungEel HiTech in its current form. After being listed on the Kosdaq in Jul 2022, the company expanded its capacity by building Hydro Center 3 in Gunsan, increasing its annual processing capacity to 32,000 tonnes of black mass. Its first year as a public company in 2022 saw record-high sales and operating profit. However, due to worsening industry conditions, the company posted losses over 2023-2025.

Founder and Chairman Lee Kang-myung (with a 19% stake in the firm) and related parties hold a combined 32.25% stake in the company as of 2025. SungEel HiTech has 11 consolidated subsidiaries across Europe, the US, and Asia. Outside of Korea, all of its subsidiaries (except the holding company) primarily focus on battery pre-treatment operations. It appears as though operations at its factories in the US (Georgia) and Indonesia have been suspended—no further investments have been made due to weak market conditions.

SungEel HiTech: Sales vs operating income



Source: QuantiWise

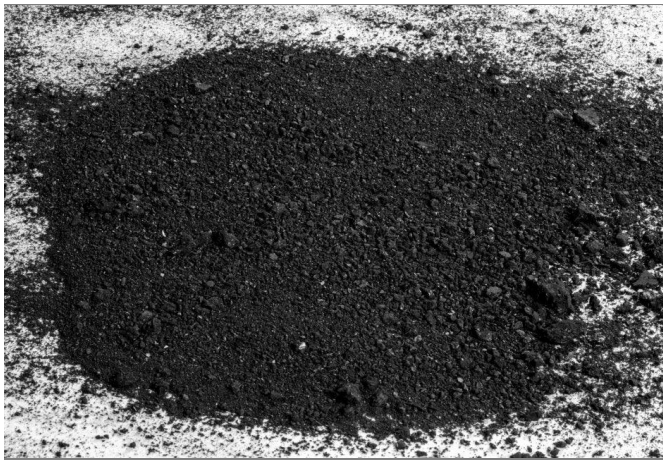
SungEel HiTech: Consolidated subsidiaries

Region	Country	Company name	Core business	Capacity (tonnes)	Ownership
Europe	Hungary	SungEel HiTech Europe	Holding company for Europe	-	100%
	Hungary	SungEel HiTech Hungary	Recycling operation	20,000	100%
	Poland	SungEel HiTech Poland	Recycling operation	10,000	100%
N. America	US	SungEel America Holdings	Holding company for US operations	-	100%
	US	SungEel Recycling Park Georgia,	Operations suspended*	-	100%
	US	SungEel Recycling Park Indiana	Recycling operation	20,000	100%
Asia	Malaysia	SungEel HiTech SDN	Recycling operation	3,000	100%
	India	SungEel India Recycling	Recycling operation	3,000	85%
	Indonesia	PT SungEel HiTech Indonesia	Operations suspended**	-	100%
	Korea	GM Tech	Pre-treatment	n/a	52.87%
	Korea	SE Material	Lithium processing	n/a	60.12%

Note: *Georgia facility investment withdrawn, reported in Jul 2025
**Operations presumed suspended
Source: Company data, Samsung Securities estimates

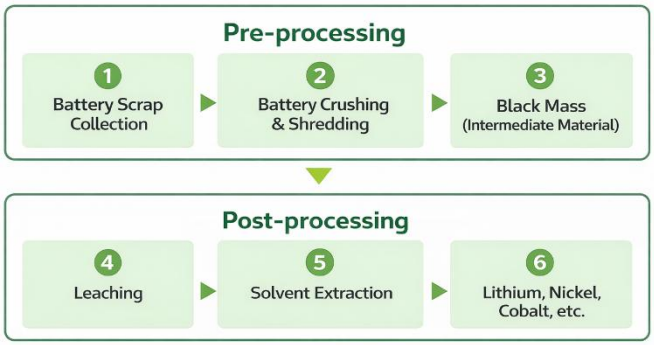
Urban mining—rechargeable battery recycling business: The rechargeable battery recycling business extracts valuable metals (including those needed for cathode materials) from end-of-life batteries, such as those from EVs or ESS, as well as from materials discarded during battery cell or cathode materials manufacturing due to defects. Since the metals are obtained from discarded battery waste rather than from mines, this process is called urban mining. Rechargeable battery recycling processes are divided into pre-treatment and post-treatment processes. The post-treatment stage is further divided into two methods: The dry process (pyrometallurgy; which uses high-temperature smelting) and the wet process (hydrometallurgy). SungEel HiTech is a recycling company that uses wet processing. It takes the black mass produced from the pre-treatment process and uses acid treatments to recover valuable metals in the form of purified compounds or metals.

Black mass



Source: Google Image

Battery recycling process

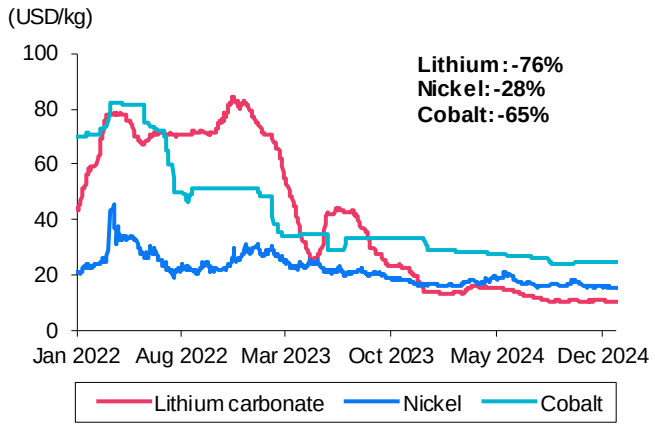


Source: Posco Future M

Metal prices and black mass supply critical to rechargeable battery recycling business: Unlike other segments of the rechargeable battery materials value chain—where demand from downstream markets drives growth—the recycling business is uniquely dependent on securing

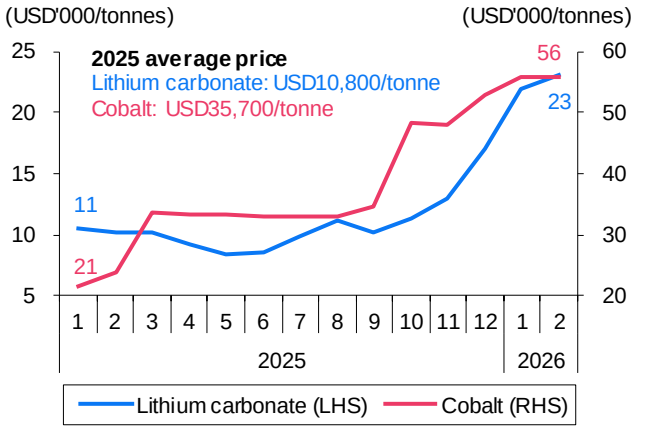
sufficient feedstock. Even if demand for EVs slows, a recycling company can maintain optimal utilization rates as long as it can reliably source black mass, the byproduct from manufacturing battery cells or cathode materials. Moreover, just as the term urban mining suggests, the metals recovered through recycling (such as lithium, nickel, and cobalt) are priced identically to those naturally mined. As a result, the price of recycled metal products moves in tandem with fluctuations in global metal prices. This explains why, over the past three years during a prolonged period of declining metal prices, recycling companies like SungEel HiTech have struggled to turn a profit—especially when factoring in its fixed costs. In short, the defining feature of the recycling industry is that a sustained upward movement in metal prices significantly improves its earnings outlook.

Metal prices declined over 2022-2024



Source: Bloomberg

Metal prices began surging in 2025



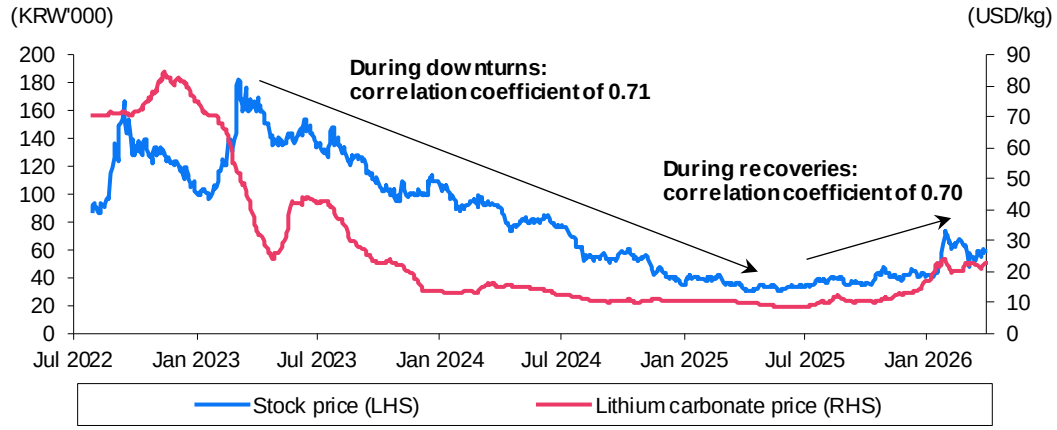
Source: BNEF

Stock price and valuation

Stock price tied to metal prices; BUY rating supported by improving utilization: Since its listing, SungEel HiTech's stock price has shown a strong correlation with metal prices—particularly lithium. From its post-IPO peak of KRW183,000 (Mar 3, 2023) to its trough of KRW30,000 (Apr 9, 2025), the stock declined 83% while lithium prices dropped 81%. The correlation coefficient over this timeframe was 0.71. Since hitting its low last year, the stock has rebounded 96% (as of Mar 30), while lithium prices have risen 138%, for a correlation coefficient of 0.7.

Given the expectation that key metal prices—including lithium—will continue to rise in the near term, and with its black mass input volume expanding, we anticipate its shares will continue to ascend.

SungEel HiTech: Stock performance vs lithium price since its listing



Source: Bloomberg, QuantiWise

12-month target price of KRW73,000: We derive our target price of KRW73,000 by applying the peer group's average 2026 P/E of 60x to the average of our 2026 and 2027 EPS estimates. We use a two-year EPS average to mitigate distortions caused by potential corporate tax refunds arising from four consecutive years of accumulated losses, which could otherwise skew net income in any single year.

To further validate our valuation, we also apply the EV/EBITDA multiple, which yields an estimated fair value of KRW70,645. This result reinforces the reasonableness of our P/E valuation, which aligns its peer group's 2026 average P/E with the company's average EPS outlook for 2026-2027.

Target price calculation

(KRW)		Note
EPS	1,211	Average of estimated EPS for 2026 and 2027
Target P/E (x)	60.0	Peer group* average P/E for 2026
Fair price per share	72,717	
Target price	**73,000**	
Current price	**60,000**	As of Apr 3 closed
Upside (%)	21.7	

Note: *Outliers with P/E exceeding 200x excluded; based on secondary battery materials value chain
Source: Bloomberg, Samsung Securities estimates

EV/EBITDA valuation (reference)

(KRWb)		Note
EBITDA	38.1	2026E EBITDA
Target Multiple (x)	35.0	Average of estimated EV/EBITDA for 2026E
Enterprise value (A)	1,332.3	
Net debt (B)	465.5	2026E
Equity value (A+B)	866.8	
Fair price per share (KRW)	70,645	
Target price	**71,000**	
Current price	**60,000**	As of Apr 3 closed
Upside (%)	**18.3**	

Note: *Based on the rechargeable battery materials value chain
Source: Bloomberg, Samsung Securities estimates

Results and forecasts

(KRW)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E
Revenue	33.7	36.5	31.9	34.2	33.4	64.0	43.8	53.4	70.6	81.6	85.4	88.9	136.2	194.6	326.6
Operating income	-13.5	-19.0	-13.3	-25.6	-15.5	-17.4	-12.3	-9.3	-3.5	0.0	2.6	3.8	-71.4	-54.5	2.9
Operating margin (%)	-40.0	-52.1	-41.7	-74.9	-46.4	-27.2	-28.1	-17.5	-5.0	0.0	3.0	4.3	-52.4	-28.0	0.9

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**136**	**195**	**327**	**331**	**339**
Cost of goods sold	173	226	286	277	283
Gross profit	**-37**	**-31**	**41**	**54**	**56**
Gross margin (%)	-27.2	-16.0	12.5	16.2	16.5
SG&A expenses	34	23	38	38	39
Operating profit	**-71**	**-55**	**3**	**15**	**17**
Operating margin (%)	-52.4	-28.0	0.9	4.7	5.0
Non-operating gains (losses)	**-17**	**-20**	**-14**	**-12**	**-10**
Financial profit	16	16	1	2	3
Financial costs	23	30	26	26	26
Equity-method gains (losses)	-5	-2	0	0	0
Other	-4	-4	10	12	13
Pre-tax profit	**-88**	**-75**	**-11**	**4**	**7**
Taxes	24	6	-28	-11	-9
Effective tax rate (%)	-27.3	-8.0	250.0	-300.0	-120.0
Profit from continuing operations	-112	-81	17	15	16
Profit from discontinued operations	0	0	0	0	0
Net profit	**-112**	**-81**	**17**	**15**	**16**
Net margin (%)	-82.6	-41.4	5.2	4.5	4.7
Net profit (controlling interests)	-110	-78	16	14	15
Net profit (non-controlling interests)	-2	-3	1	1	1
EBITDA	-50	-17	38	49	48
EBITDA margin (%)	-36.7	-8.8	11.7	14.7	14.1
EPS (parent-based) (KRW)	-9,085	-6,364	1,341	1,167	1,255
EPS (consolidated) (KRW)	-9,281	-6,606	1,393	1,212	1,302
Adjusted EPS (KRW)*	-9,085	-6,364	1,341	1,167	1,255

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**127**	**134**	**207**	**251**	**301**
Cash & equivalents	23	25	29	72	117
Accounts receivable	13	21	35	36	37
Inventories	68	52	87	88	91
Other current assets	24	37	55	55	56
Fixed assets	**553**	**586**	**563**	**535**	**505**
Investment assets	33	19	26	26	27
Tangible assets	491	543	513	485	454
Intangible assets	0	2	2	2	2
Other long-term assets	28	22	22	22	22
Total assets	**679**	**721**	**770**	**787**	**806**
Current liabilities	**253**	**331**	**358**	**360**	**363**
Accounts payable	13	13	22	22	23
Short-term debt	158	204	204	204	204
Other current liabilities	82	114	132	134	136
Long-term liabilities	**201**	**235**	**240**	**240**	**241**
Bonds & long-term debt	178	209	209	209	209
Other long-term liabilities	24	26	31	31	31
Total liabilities	**455**	**567**	**599**	**600**	**604**
Owners of parent equity	**203**	**127**	**143**	**158**	**173**
Capital stock	6	6	6	6	6
Capital surplus	257	259	259	259	259
Retained earnings	-55	-132	-116	-101	-86
Other	-5	-6	-6	-6	-6
Non-controlling interests' equity	**21**	**27**	**28**	**28**	**29**
Total equity	**225**	**154**	**171**	**186**	**202**
Net debt	368	474	466	424	380

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**-55**	**-23**	**20**	**47**	**45**
Net profit	-112	-81	17	15	16
Non-cash profit and expenses	70	61	31	46	45
Depreciation	21	37	35	33	31
Amortization	0	0	0	0	0
Other	49	23	-4	13	14
Changes in A/L from operating activities	-9	12	-32	-1	-2
Cash flow from investments	**-164**	**-33**	**-15**	**-5**	**-1**
Change in tangible assets	-173	-33	-5	-5	0
Change in financial assets	5	-5	-10	-0	-1
Other	5	4	-0	-0	0
Cash flow from financing	**211**	**58**	**6**	**1**	**2**
Change in debt	204	112	6	1	2
Change in equity	1	2	0	0	0
Dividends	0	0	0	0	0
Other	6	-56	-0	0	0
Change in cash	-7	2	5	42	46
Cash at beginning of year	30	23	25	29	72
Cash at end of year	23	25	29	72	117
Gross cash flow	**-42**	**-20**	**48**	**61**	**61**
Free cash flow	**-229**	**-59**	**15**	**42**	**45**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-44.9	42.9	67.8	1.4	2.5
Operating profit	nm	nm	nm	442.1	10.3
Net profit	nm	nm	nm	-12.9	7.5
Adjusted EPS**	nm	nm	nm	-13.0	7.5
Per-share data (KRW)					
EPS (parent-based)	-9,085	-6,364	1,341	1,167	1,255
EPS (consolidated)	-9,281	-6,606	1,393	1,212	1,302
Adjusted EPS**	-9,085	-6,364	1,341	1,167	1,255
BVPS	16,747	10,382	11,692	12,859	14,114
DPS (common)	0	0	0	0	0
Valuations (x)					
P/E***	n/a	n/a	51.5	59.2	55.1
P/B***	2.1	3.9	5.9	5.4	4.9
EV/EBITDA	n/a	n/a	35.2	26.7	26.2
Ratios (%)					
ROE	-43.0	-47.0	12.2	9.5	9.3
ROA	-17.9	-11.5	2.3	1.9	2.0
ROIC	-18.6	-10.0	-0.7	10.2	6.5
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	163.7	307.3	271.9	227.8	187.8
Interest coverage (x)	-8.1	-2.4	0.1	0.6	0.7

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

Compliance notice

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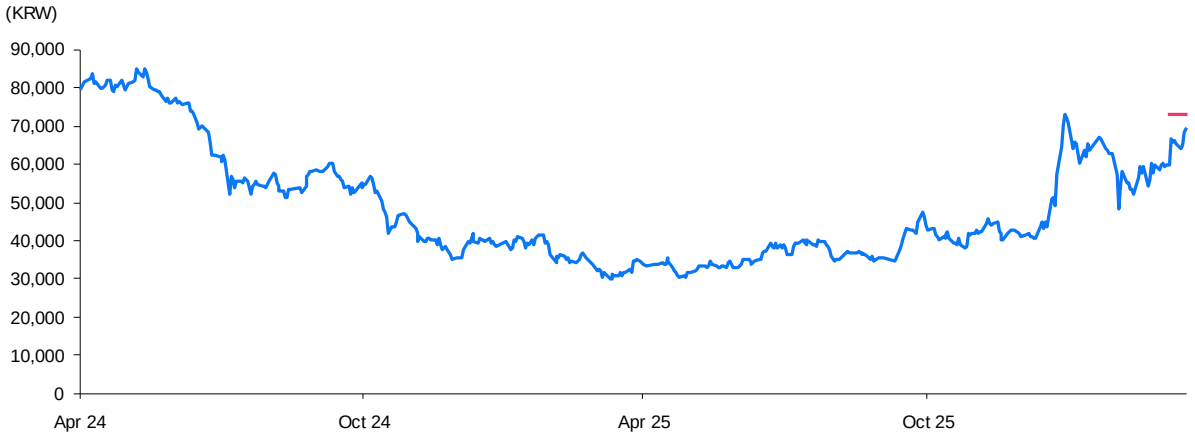
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2026/4/6
Recommendation	BUY
Target price (KRW)	73000
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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