COMPANY UPDATE

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Industrial Team

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Hyundai Rotem (064350)

Earnings grow again, easing concerns

- Hyundai Rotem's 1Q sales and operating profit rose 24% and 11% y-y, respectively—both meeting consensus.
- The defense segment's margins declined but this was temporary. We find 1Q results fairly solid, considering the prior market concerns. Rising cash holdings and growing rail export orders also reinforce positive momentum.
- Even after the recent rally, the stock remains undervalued compared to domestic and global peers, as well as the industrial goods sector.

▶ AT A GLANCE

BUY

Target price	KRW306,000	31.3%
Current price	**KRW233,000**	
Market cap	KRW25.4t/USD17.1b	
Shares (float)	109,142,293 (66.2%)	
52-week high/low	KRW249,000/KRW106,600	
Avg daily trading value (60-day)	KRW210.7b/ USD141.9m	

▶ ONE-YEAR PERFORMANCE

	1M	6M	12M
Hyundai Rotem (%)	31.0	-0.6	112.2
Vs Kospi (%pts)	12.3	-39.5	-17.3

▶ KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	306,000	292,000	4.8%
2026E EPS	9,071	9,071	0.0%
2027E EPS	12,204	12,204	0.0%

▶ SAMSUNG vs THE STREET

No of estimates	16
Target price	301,875
Recommendation	4.0

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

WHAT'S THE STORY?

1Q review: Hyundai Rotem reported 1Q sales and operating profit expanded 24% and 11% y-y, respectively, both meeting consensus. While the defense segment's operating margin fell q-q and y-y, this was a temporary phenomenon stemming from the completion of the first batch of the Poland contract and the ramp-up of sales recognition from the second batch—a dynamic already well known to investors.

(Continued on the next page)

Hyundai Rotem 1Q26 review

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	1,457.5	1,625.6	-10.3	1,176.1	23.9	1,403.6	3.8	1,457.5	0.0
Operating profit	224.2	267.5	-16.2	202.9	10.5	221.7	1.1	224.2	-0.0
Pre-tax profit	275.6	287.6	-4.2	202.6	36.0	230.9	19.4	275.6	0.0
Net profit	201.4	222.4	-9.4	158.4	27.1	175.8	14.6	201.4	0.0
Margins (%)									
Operating profit	15.4	16.5		17.3		15.8		15.4	
Pre-tax profit	18.9	17.7		17.2		16.5		18.9	
Net profit	13.8	13.7		13.5		12.5		13.8	

Source: Company data, Samsung Securities estimates

Valuation

(KRWb)	Sales	Operating profit	Pre-tax profit	Net profit	EPS (KRW)	EPS growth (% y-y)	P/E (x)	Net debt	EV/EBITDA (x)	P/B (x)	ROE (%)
2024	4,377	457	510	405	3,728	152.7	13.3	-419	9.9	2.7	21.8
2025	5,839	1,006	1,004	770	7,055	89.2	26.6	-1,145	18.1	6.7	30.1
2026E	7,065	1,269	1,303	990	9,071	28.6	25.7	-1,857	17.6	6.4	28.0
2027E	8,262	1,648	1,753	1,332	12,204	34.5	19.1	-1,538	13.8	4.9	29.0
2028E	8,692	1,927	2,163	1,644	15,064	23.4	15.5	-1,375	11.9	3.8	27.6

Source: Company data, Samsung Securities estimates

Growth fears to subside: A persistent drag on Hyundai Rotem's valuation has been concern over post-Poland growth, given its heavy reliance on the single defense program. Long-term concerns have centered on what will come after Poland, while short-term fears have focused on reduced tank deliveries this year. But those fears are easing. Long-term growth prospects are being bolstered by new orders in markets like Peru and Iraq. Meanwhile, concerns about post-Poland momentum are premature: the second batch has only just begun, and talks for a third are already underway. Near-term delivery concerns are also fading, as the robust topline growth in 1Q signals sustained momentum. Meanwhile, in the rail business, overseas order wins—and the resulting export revenue expansion—are adding further upside. This year alone, the company won contracts in Canada and Vietnam. Over the longer term, the rail business stands to gain from reduced competition from Chinese manufacturers in global markets.

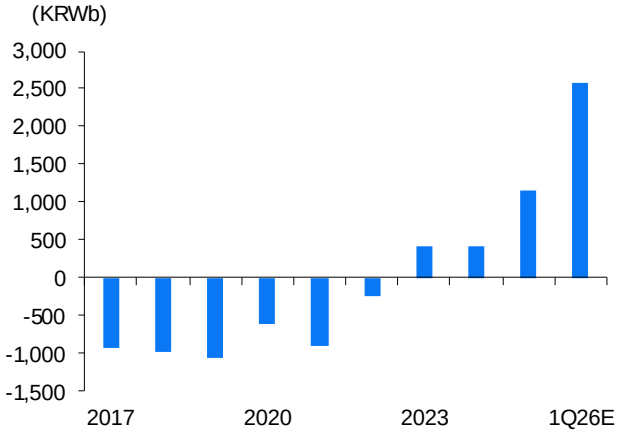
Valuation still attractive: Despite a 31% stock price increase over the past month, Hyundai Rotem still trades at a discount to both domestic peers and global defense leaders, as well as the broader Korean industrial goods index. We raise our SOTP-based target price by 5% to KRW306,000, reflecting the significant growth in net cash holdings. At end-1Q26, cash and cash equivalents—including other short-term financial assets—climbed q-q by around KRW1.8t q-q primarily thanks to advance payments received on the Poland program. This liquidity should be used to support future growth, including the recent acquisition of Hyundai Wia's defense business. Facility investment has also been expanding sharply since last year.

Hyundai Rotem: Sales breakdown

(KRWb)	1Q26	1Q25	Chg (% y-y)	4Q25	Chg (% q-q)
Sales					
Defense	543	403	35.0	619	-12.3
Rail	804	658	22.2	860	-6.5
Plant	110	116	-4.7	147	-24.7
Operating Profit					
Defense	3	5	-40.2	12	-75.0
Rail	219	194	12.8	251	-12.7
Plant	3	4	-38.7	5	-51.5
OPM (%)					
Defense	1	1	-55.7	2	-71.5
Rail	27	29	-7.7	29	-6.7
Plant	2	4	-35.6	4	-35.6

Source: Company data

Hyundai Rotem: Net cash



Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**4,377**	**5,839**	**7,065**	**8,262**	**8,692**
Cost of goods sold	3,548	4,447	5,359	6,128	6,256
Gross profit	**829**	**1,392**	**1,705**	**2,134**	**2,437**
Gross margin (%)	18.9	23.8	24.1	25.8	28.0
SG&A expenses	372	386	436	486	509
Operating profit	**457**	**1,006**	**1,269**	**1,648**	**1,927**
Operating margin (%)	10.4	17.2	18.0	19.9	22.2
Non-operating gains (losses)	**53**	**-1**	**34**	**104**	**236**
Financial profit	75	95	109	166	379
Financial costs	52	57	61	41	96
Equity-method gains (losses)	-0	-0	-0	-0	-0
Other	30	-38	-14	-20	-47
Pre-tax profit	**510**	**1,004**	**1,303**	**1,753**	**2,163**
Taxes	104	234	313	421	519
Effective tax rate (%)	20.5	23.3	24.0	24.0	24.0
Profit from continuing operations	405	770	990	1,332	1,644
Profit from discontinued operations	0	0	0	0	0
Net profit	**405**	**770**	**990**	**1,332**	**1,644**
Net margin (%)	9.3	13.2	14.0	16.1	18.9
Net profit (controlling interests)	407	770	990	1,332	1,644
Net profit (non-controlling interests)	-2	1	0	0	0
EBITDA	504	1,065	1,336	1,730	2,020
EBITDA margin (%)	11.5	18.2	18.9	20.9	23.2
EPS (parent-based) (KRW)	3,728	7,055	9,071	12,204	15,064
EPS (consolidated) (KRW)	3,713	7,060	9,071	12,204	15,064
Adjusted EPS (KRW)*	3,728	7,055	9,071	12,204	15,064

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**3,686**	**7,163**	**9,076**	**10,495**	**11,589**
Cash & equivalents	472	908	1,665	1,495	1,588
Accounts receivable	909	3,392	4,103	4,754	5,239
Inventories	316	503	523	611	643
Other current assets	1,989	2,360	2,785	3,635	4,119
Fixed assets	**1,599**	**2,155**	**2,275**	**2,508**	**2,642**
Investment assets	55	77	77	77	77
Tangible assets	1,292	1,820	1,922	2,141	2,263
Intangible assets	104	111	129	143	155
Other long-term assets	148	147	147	147	147
Total assets	**5,285**	**9,318**	**11,351**	**13,003**	**14,230**
Current liabilities	**3,020**	**5,776**	**6,783**	**7,165**	**7,101**
Accounts payable	432	689	834	975	1,024
Short-term debt	60	49	50	40	50
Other current liabilities	2,527	5,038	5,899	6,149	6,027
Long-term liabilities	**256**	**500**	**622**	**669**	**446**
Bonds & long-term debt	3	61	68	108	128
Other long-term liabilities	254	440	554	561	319
Total liabilities	**3,276**	**6,277**	**7,405**	**7,833**	**7,547**
Owners of parent equity	**2,045**	**3,079**	**3,985**	**5,208**	**6,721**
Capital stock	546	546	546	546	546
Capital surplus	520	520	520	520	520
Retained earnings	689	1,434	2,337	3,560	5,073
Other	291	579	582	582	582
Non-controlling interests' equity	**-36**	**-38**	**-38**	**-38**	**-38**
Total equity	**2,009**	**3,041**	**3,947**	**5,170**	**6,683**
Net debt	-419	-1,145	-1,857	-1,538	-1,375

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**142**	**904**	**882**	**65**	**240**
Net profit	405	770	990	1,332	1,644
Non-cash profit and expenses	282	369	101	49	-104
Depreciation	33	40	46	57	65
Amortization	14	20	21	25	27
Other	235	310	34	-33	-196
Changes in A/L from operating activities	-541	-120	-209	-1,315	-1,301
Cash flow from investments	**233**	**-232**	**-148**	**-276**	**-187**
Change in tangible assets	-81	-129	-148	-276	-187
Change in financial assets	314	-89	0	0	0
Other	-1	-14	0	0	0
Cash flow from financing	**-300**	**-237**	**23**	**40**	**40**
Change in debt	-244	-219	23	40	40
Change in equity	0	0	0	0	0
Dividends	-11	-22	0	0	0
Other	-45	3	0	0	0
Change in cash	76	436	757	-170	93
Cash at beginning of year	396	472	908	1,665	1,495
Cash at end of year	472	908	1,665	1,495	1,588
Gross cash flow	**687**	**1,140**	**1,091**	**1,381**	**1,540**
Free cash flow	**61**	**775**	**734**	**-211**	**52**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	22.0	33.4	21.0	17.0	5.2
Operating profit	117.4	120.3	26.2	29.9	16.9
Net profit	158.5	90.1	28.5	34.5	23.4
Adjusted EPS**	152.7	89.2	28.6	34.5	23.4
Per-share data (KRW)					
EPS (parent-based)	3,728	7,055	9,071	12,204	15,064
EPS (consolidated)	3,713	7,060	9,071	12,204	15,064
Adjusted EPS**	3,728	7,055	9,071	12,204	15,064
BVPS	18,737	28,211	36,509	47,713	61,578
DPS (common)	200	600	800	1,000	1,200
Valuations (x)					
P/E***	13.3	26.6	25.7	19.1	15.5
P/B***	2.7	6.7	6.4	4.9	3.8
EV/EBITDA	9.9	18.1	17.6	13.8	11.9
Ratios (%)					
ROE	21.8	30.1	28.0	29.0	27.6
ROA	7.7	10.6	9.6	10.9	12.1
ROIC	22.7	37.3	39.6	37.5	30.3
Payout ratio	5.4	8.5	8.8	8.2	8.0
Dividend yield (common)	0.4	0.3	0.3	0.4	0.5
Net debt to equity	-20.9	-37.6	-47.0	-29.8	-20.6
Interest coverage (x)	27.5	127.7	261.4	269.7	249.9

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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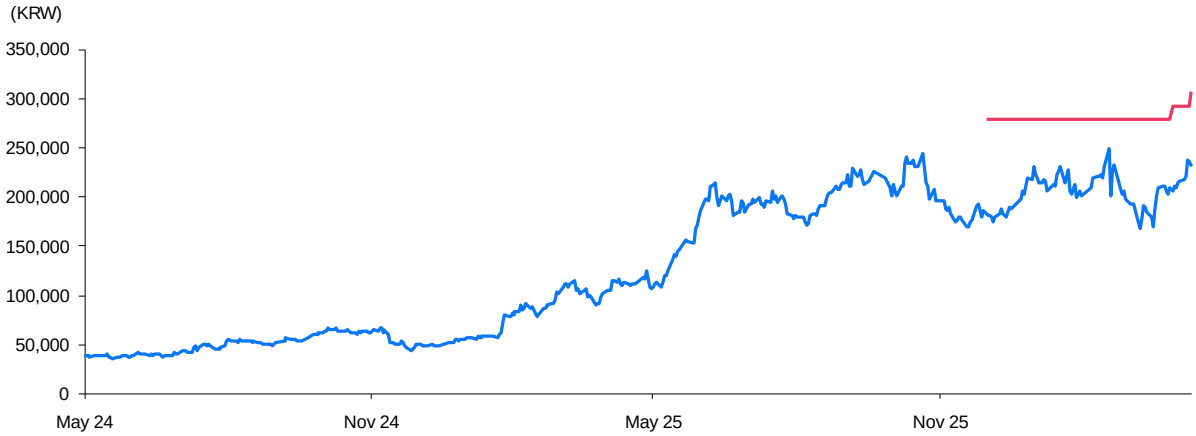

Rating changes over past two years (adjusted share prices)

Date	2025/12/15	2026/1/14	4/13	4/27
Recommendation	2	BUY	BUY	BUY
Target price (KRW)	280000	280000	292000	306000
Gap* (average)	-30.36	-25.91	-23.95	
(max or min)**	-17.14	-11.07	-18.66	

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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Percentage of ratings in 12 months prior to 2026.03.31

BUY(85.2%)·HOLD(14.8%)·SELL(0%)

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