COMPANY UPDATE

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Poongsan (103140)

Copper driving earnings in 1H, defense to take over in 2H

- Poongsan reported a 1Q26 consolidated operating profit of KRW90.2b, in line with consensus.
- The result was supported by higher copper prices and a rising won/dollar rate, which improved margins in the copper processing business.
- Defense sales were somewhat sluggish in 1Q but full-year defense revenue should be concentrated in 2H. While the valuation remains undemanding relative to peer averages, restoring management's credibility should be crucial.

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AT A GLANCE

BUY

Target price	KRW140,000	41.1%
Current price	KRW99,200	
Market cap	KRW2.8t/USD1.9b	
Shares (float)	28,024,278 (59.4%)	
52-week high/low	KRW165,000/KRW57,300	
Avg daily trading value (60-day)	KRW47.0b/ USD31.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Poongsan (%)	10.6	-17.2	67.3
Vs Kospi (%pts)	-11.6	-48.7	-35.2

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	140,000	140,000	0.0%
2026E EPS	8,574	8,394	2.1%
2027E EPS	7,942	8,838	-10.1%

SAMSUNG vs THE STREET

No of estimates	12
Target price	147,167
Recommendation	3.8

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

WHAT'S THE STORY?

1Q review: Poongsan's 1Q26 consolidated sales and operating profit fell 10.8% and 1.5% q-q, respectively, to KRW1.3t and KRW90.2b—the latter meeting consensus. Defense sales were sluggish due to delays in domestic acceptance testing and export logistics. However, stronger copper prices and favorable forex rates lifted margins in the parent company's copper processing business, offsetting the weakness and driving overall results. The US subsidiary PMX, which posted poor results due to deduction of unrealized inventory gains, is expected to benefit from strong copper prices in 2Q26.

(Continued on the next page)

POONGSAN CORPORATION 4Q24 review

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung	Diff (%)
Sales	1,270.9	1,424.5	-10.8	1,155.9	9.9	1,373.5	-7.5	1,331.6	-4.6
Operating profit	90.2	91.5	-1.5	69.7	29.4	94.1	-4.1	103.1	-12.5
Pre-tax profit	101.1	59.6	69.7	57.8	74.9	89.6	12.9	93.0	8.8
Net profit	78.0	8.8	786.4	41.6	87.5	65.2	19.6	69.7	11.9
Margins (%)									
Operating profit	7.1	6.4		6.0		6.9		7.7	
Pre-tax profit	8.0	4.2		5.0		6.5		7.0	
Net profit	6.1	0.6		3.6		4.7		5.2	

Source: Company data, Samsung Securities estimates

Valuations

(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	4,554	324	318	236	8,019	41.1	5.9	474	4.5	0.6	10.8
2025	5,049	297	236	147	5,209	-35.0	20.3	824	9.9	1.3	6.5
2026E	5,942	336	317	240	8,574	64.6	11.6	861	8.5	1.2	10.0
2027E	5,898	335	296	222	7,942	-7.4	12.5	838	8.5	1.1	10.0
2028E	5,981	374	335	252	9,001	13.3	11.0	835	7.8	1.0	8.7

Source: Company data, Samsung Securities estimates

Maintaining BUY: Poongsan reaffirmed its full-year defense sales guidance of KRW1.37t, anticipating that most of the delayed defense revenue will be recognized in 2H26. As a result, full-year earnings are expected to be led by copper processing in 1H26 and defense in 2H26. Shares are trading at a 2026 P/E of 11.6x, a 72% discount to the domestic defense peer average—indicating limited valuation burden. We maintain BUY rating. That said, this valuation discount will likely narrow rapidly once management's credibility—recently damaged by the push to sell off defense assets—is restored.

Poongsan: Results and forecasts (parent basis)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**826.4**	**1,014.0**	**871.4**	**1,137.3**	**968.8**	**1,160.4**	**1,238.7**	**1,358.7**	**3,849.1**	**4,726.6**	**4,729.1**
Copper business	620.5	666.2	642.1	721.7	809.5	891.3	852.9	835.4	2,650.6	3,389.1	3,298.4
Defense business	205.9	347.8	229.3	415.6	159.2	269.1	385.8	523.3	1,198.5	1,337.4	1,430.7
Exports	422.1	570.7	473.2	599.8	566.6	637.6	658.4	657.9	2,065.7	2,520.5	2,549.4
Copper business	336.8	372.0	359.9	430.6	481.9	500.5	477.1	497.2	1,499.2	1,956.7	1,907.0
Defense business	85.3	198.7	113.3	169.2	84.7	137.1	181.3	160.7	566.5	563.8	642.4
Domestic	404.3	443.3	398.2	537.6	402.2	522.8	580.3	700.8	1,783.4	2,206.1	2,179.7
Copper business	283.7	294.2	282.2	291.1	327.7	390.8	375.8	338.2	1,151.4	1,432.5	1,391.4
Defense business	120.6	149.1	116.0	246.4	74.5	132.0	204.5	362.6	632.0	773.6	788.3
Gross profit	82.8	128.3	86.0	133.6	131.5	102.7	123.0	123.9	430.7	481.1	474.7
Operating profit	**44.7**	**88.0**	**42.4**	**72.0**	**87.3**	**69.3**	**77.9**	**58.1**	**247.2**	**292.7**	**284.7**
Pre-tax profit	50.6	74.9	41.5	20.3	99.5	48.2	57.4	37.4	187.4	242.5	202.2
Net profit	**41.6**	**64.2**	**32.6**	**9.1**	**78.0**	**36.6**	**43.6**	**28.4**	**147.4**	**186.7**	**153.6**
Chg (% y-y)											
Sales	**15.6**	**3.7**	**5.0**	**16.0**	**17.2**	**14.4**	**42.2**	**19.5**	**9.9**	**22.8**	**0.1**
Copper business	15.3	4.6	15.6	23.8	30.5	33.8	32.8	15.8	14.6	27.9	-2.7
Defense business	16.5	2.1	-16.4	4.5	-22.6	-22.6	68.3	25.9	0.8	11.6	7.0
Exports	7.2	-2.7	-2.7	7.1	34.2	11.7	39.1	9.7	1.9	22.0	1.1
Copper business	12.8	3.4	12.8	27.2	43.1	34.5	32.6	15.5	13.9	30.5	-2.5
Defense business	-10.4	-12.3	-32.4	-23.7	-0.7	-31.0	60.0	-5.0	-20.3	-0.5	13.9
Domestic	25.8	13.3	16.0	28.0	-0.5	17.9	45.7	30.4	20.8	23.7	-1.2
Copper business	18.3	6.1	19.3	19.2	15.5	32.8	33.1	16.2	15.4	24.4	-2.9
Defense business	48.0	30.8	8.8	40.1	-38.2	-11.4	76.3	47.1	32.2	22.4	1.9
Gross profit	17.7	-28.3	-22.5	-5.7	58.7	-19.9	43.1	-7.3	-14.2	11.7	-1.3
Operating profit	27.0	-37.6	-40.0	7.1	95.2	-21.2	83.8	-19.4	-21.3	18.4	-2.7
Pre-tax profit	9.5	-50.1	-34.5	-64.9	96.5	-35.6	38.4	83.9	-41.0	29.4	-16.6
Net profit	12.6	-42.3	-31.6	-77.2	87.7	-42.9	33.8	213.3	-37.4	26.6	-17.7
Margins (%)											
Gross profit	10.0	12.7	9.9	11.7	13.6	8.9	9.9	9.1	11.2	10.2	10.0
Operating profit	5.4	8.7	4.9	6.3	9.0	6.0	6.3	4.3	6.4	6.2	6.0
Pre-tax profit	6.1	7.4	4.8	1.8	10.3	4.2	4.6	2.8	4.9	5.1	4.3
Net profit	5.0	6.3	3.7	0.8	8.1	3.2	3.5	2.1	3.8	3.9	3.2

Source: Company data, Samsung Securities estimates

Poongsan: Results and forecasts (consolidated)

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26P	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**1,155.9**	**1,294.0**	**1,174.2**	**1,424.5**	**1,270.9**	**1,470.9**	**1,540.8**	**1,659.4**	**5,048.6**	**5,942.0**	**5,898.3**
Parent	826.4	1,014.0	871.4	1,137.3	968.8	1,160.4	1,238.7	1,358.7	3,849.1	4,726.6	4,729.1
Subsidiaries	329.5	280.0	302.8	287.2	302.1	310.5	302.2	300.7	1,199.5	1,215.5	1,169.2
Gross profit	130.2	153.6	108.5	182.4	170.3	148.8	160.3	164.0	574.8	643.4	636.6
Parent	82.8	128.3	86.0	133.6	131.5	102.7	123.0	123.9	430.7	481.1	474.7
Subsidiaries	47.4	25.3	22.6	48.8	38.8	46.1	37.3	40.1	144.1	162.3	161.9
Operating profit	**69.7**	**93.6**	**42.6**	**91.5**	**90.2**	**85.5**	**90.1**	**70.2**	**297.4**	**335.9**	**335.2**
Parent	44.7	88.0	42.4	72.0	87.3	69.3	77.9	58.1	247.2	292.7	284.7
Subsidiaries	25.0	5.6	0.2	19.5	2.8	16.1	12.1	12.1	50.3	43.2	50.5
Pre-tax profit	57.8	77.4	40.7	59.6	101.1	75.1	80.2	60.1	235.5	316.6	295.8
Parent	50.6	74.9	41.5	20.3	99.5	48.2	57.4	37.4	187.4	242.5	202.2
Subsidiaries	7.2	2.5	-0.7	39.3	1.6	26.9	22.9	22.7	48.2	74.1	93.6
Net profit	**41.6**	**64.2**	**32.6**	**8.8**	**78.0**	**56.3**	**60.2**	**45.1**	**147.2**	**239.6**	**221.8**
Parent	41.6	64.2	32.6	9.1	78.0	36.6	43.6	28.4	147.4	186.7	153.6
Subsidiaries	0.0	0.0	-0.0	-0.2	-0.0	19.7	16.6	16.7	-0.2	52.9	68.2
Net profit attributable to parent company	41.6	64.2	32.6	8.8	78.0	56.3	60.2	45.1	147.2	239.6	221.8
Chg (% y-y)											
Sales	20.0	4.9	4.0	16.0	9.9	13.7	31.2	16.5	10.9	17.7	-0.7
Operating profit	28.5	-42.0	-42.7	170.3	29.3	-8.7	111.5	-23.3	-8.1	12.9	-0.2
Net profit	12.6	-42.3	-31.6	-78.1	87.7	-12.3	84.7	410.8	-37.7	62.8	-7.4
Net profit attributable to parent company	12.6	-42.3	-31.6	-78.1	87.7	-12.3	84.7	410.8	-37.7	62.8	-7.4
Margins (%)											
Gross profit	11.3	11.9	9.2	12.8	13.4	10.1	10.4	9.9	11.4	10.8	10.8
Operating profit	6.0	7.2	3.6	6.4	7.1	5.8	5.8	4.2	5.9	5.7	5.7
Net profit	3.6	5.0	2.8	0.6	6.1	3.8	3.9	2.7	2.9	4.0	3.8

Source: Company data, Samsung Securities estimates

Global peer valuations

2026E valuation (x)	P/E	P/B	ROE (%)	EV/EBITDA	2025-2027 EPS CAGR (%)
Poongsan	**11.6**	**1.2**	**10.0**	**8.5**	**23.5**
LIG D&A	58.0	12.4	23.7	35.0	29.0
Hanwha Aerospace*	31.9	6.3	22.2	16.0	40.2
KAI	44.7	7.8	18.5	29.2	57.9
Hyundai Rotem*	30.5	7.3	26.5	21.4	31.3
K-defense average	**41.3**	**8.4**	**22.7**	**25.4**	**39.6**
Vale	8.2	1.8	24.2	5.0	-3.2
Rio Tinto	11.8	2.4	20.4	6.4	11.6
BHP Group	15.4	3.6	24.3	6.8	11.3
Glencore	14.3	2.1	15.4	6.1	76.2
Boliden	12.1	1.7	14.6	5.9	32.7
Major miner average	**12.4**	**2.3**	**19.8**	**6.0**	**25.7**
Rheinmetall	35.2	9.6	30.2	19.1	44.6
BAE Systems	24.5	4.9	19.6	14.3	12.5

Note: *Poongsan is trading at a 72% discount to the K-defense average and a 63% discount to the Hanwha Aerospace/Hyundai Rotem average
Source: Bloomberg, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**4,554**	**5,049**	**5,942**	**5,898**	**5,981**
Cost of goods sold	3,938	4,474	5,299	5,262	5,300
Gross profit	**616**	**575**	**643**	**637**	**681**
Gross margin (%)	13.5	11.4	10.8	10.8	11.4
SG&A expenses	292	277	308	301	307
Operating profit	**324**	**297**	**336**	**335**	**374**
Operating margin (%)	7.1	5.9	5.7	5.7	6.3
Non-operating gains (losses)	**-5**	**-62**	**-19**	**-39**	**-38**
Financial profit	19	16	7	7	8
Financial costs	47	47	37	36	35
Equity-method gains (losses)	0	1	0	0	0
Other	23	-32	10	-11	-11
Pre-tax profit	**318**	**236**	**317**	**296**	**335**
Taxes	82	88	77	74	84
Effective tax rate (%)	25.8	37.5	24.3	25.0	25.0
Profit from continuing operations	236	147	240	222	252
Profit from discontinued operations	0	0	0	0	0
Net profit	**236**	**147**	**240**	**222**	**252**
Net margin (%)	5.2	2.9	4.0	3.8	4.2
Net profit (controlling interests)	236	147	240	222	252
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	413	388	427	425	462
EBITDA margin (%)	9.1	7.7	7.2	7.2	7.7
EPS (parent-based) (KRW)	8,423	5,251	8,574	7,942	9,001
EPS (consolidated) (KRW)	8,423	5,251	8,550	7,916	8,975
Adjusted EPS (KRW)*	8,019	5,209	8,574	7,942	9,001

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**2,562**	**2,763**	**2,955**	**3,086**	**3,264**
Cash & equivalents	345	239	200	223	226
Accounts receivable	602	797	881	931	999
Inventories	1,459	1,623	1,730	1,798	1,884
Other current assets	155	104	145	135	156
Fixed assets	**1,535**	**1,566**	**1,657**	**1,747**	**1,837**
Investment assets	48	21	164	178	194
Tangible assets	1,309	1,387	1,463	1,535	1,607
Intangible assets	13	18	18	18	18
Other long-term assets	165	140	13	15	18
Total assets	**4,097**	**4,329**	**4,612**	**4,833**	**5,102**
Current liabilities	**1,359**	**1,450**	**1,551**	**1,627**	**1,725**
Accounts payable	185	158	219	264	324
Short-term debt	393	535	535	535	535
Other current liabilities	780	757	797	827	866
Long-term liabilities	**539**	**581**	**570**	**569**	**564**
Bonds & long-term debt	240	422	422	422	422
Other long-term liabilities	299	159	148	146	141
Total liabilities	**1,897**	**2,031**	**2,121**	**2,196**	**2,289**
Owners of parent equity	**2,199**	**2,298**	**2,491**	**2,637**	**2,813**
Capital stock	140	140	140	140	140
Capital surplus	495	495	495	495	495
Retained earnings	1,491	1,592	1,785	1,932	2,107
Other	74	71	71	71	71
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**2,199**	**2,298**	**2,491**	**2,637**	**2,813**
Net debt	480	845	861	838	835

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**40**	**-168**	**250**	**335**	**316**
Net profit	236	147	240	222	252
Non-cash profit and expenses	252	275	247	248	244
Depreciation	89	90	91	90	88
Amortization	1	0	0	0	0
Other	162	184	157	159	156
Changes in A/L from operating activities	-343	-397	-237	-136	-180
Cash flow from investments	**-217**	**-177**	**-223**	**-217**	**-217**
Change in tangible assets	-195	-179	-176	-170	-168
Change in financial assets	-17	27	-45	-45	-45
Other	-5	-25	-2	-3	-4
Cash flow from financing	**90**	**279**	**-28**	**-56**	**-58**
Change in debt	136	258	-2	0	0
Change in equity	0	0	0	0	0
Dividends	-33	-71	-46	-76	-76
Other	-13	50	20	18	18
Change in cash	-63	-106	-39	23	3
Cash at beginning of year	408	345	239	200	223
Cash at end of year	345	239	200	223	226
Gross cash flow	**488**	**422**	**487**	**470**	**496**
Free cash flow	**-156**	**-353**	**72**	**162**	**144**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	10.4	10.9	17.7	-0.7	1.4
Operating profit	41.6	-8.1	12.9	-0.2	11.5
Net profit	50.9	-37.7	62.8	-7.4	13.4
Adjusted EPS**	41.1	-35.0	64.6	-7.4	13.3
Per-share data (KRW)					
EPS (parent-based)	8,423	5,251	8,574	7,942	9,001
EPS (consolidated)	8,423	5,251	8,550	7,916	8,975
Adjusted EPS**	8,019	5,209	8,574	7,942	9,001
BVPS	74,315	80,242	85,451	91,506	97,251
DPS (common)	2,600	1,700	2,700	2,700	2,700
Valuations (x)					
P/E***	5.9	20.3	11.6	12.5	11.0
P/B***	0.6	1.3	1.2	1.1	1.0
EV/EBITDA	4.5	9.9	8.5	8.5	7.8
Ratios (%)					
ROE	10.8	6.5	10.0	10.0	8.7
ROA	6.1	3.5	5.4	4.7	5.1
ROIC	9.7	6.2	9.0	10.1	11.0
Payout ratio	30.1	31.6	31.6	34.1	30.1
Dividend yield (common)	5.2	1.6	2.7	2.7	2.7
Net debt to equity	21.8	36.8	34.6	31.8	29.7
Interest coverage (x)	8.6	8.0	9.2	9.4	10.7

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

Source: Company data, Samsung Securities estimates

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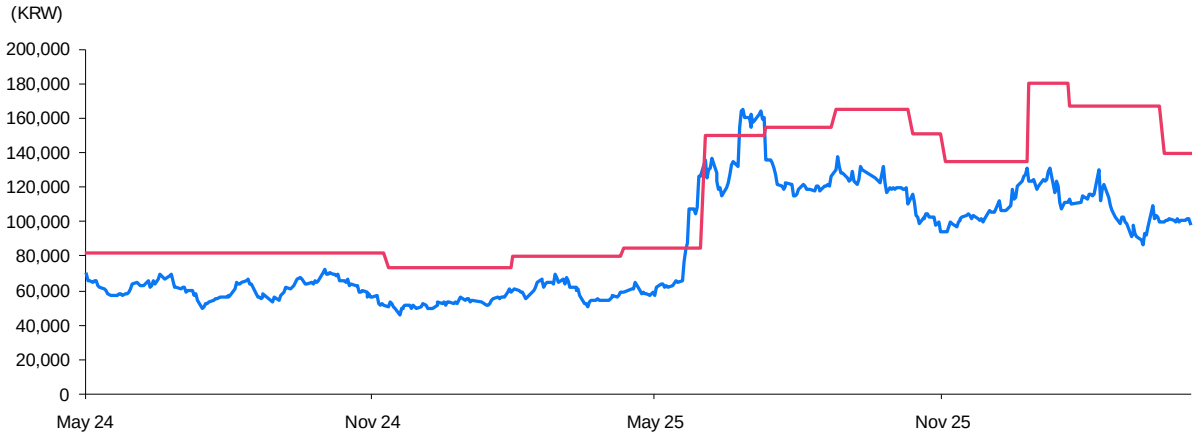
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/5/2	5/22	12/2	2025/2/20	5/2	6/23	8/1	9/15	11/3	11/24	2026/1/16	2/12
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	75000	82000	73000	80000	85000	150000	155000	165000	151000	135000	180000	167000
Gap* (average)	-1.18	-25.26	-27.48	-25.43	-13.70	-5.09	-21.59	-24.93	-32.49	-20.72	-33.37	-37.23
(max or min)**	3.07	-12.07	-16.44	-13.25	48.82	10.00	-12.58	-16.48	-26.49	-2.89	-27.11	-21.80

Date	4/13
Recommendation	BUY
Target price (KRW)	140000
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

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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
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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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