COMPANY UPDATE

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Alternative Investment Team

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DL E&C (375500)

1Q review: Margins top forecasts

- DL E&C's 1Q operating profit reached KRW157.4b, exceeding FnGuide consensus of KRW105.3b by 50.2%.
- Its margin rose led by improved profit mix due to reduced share of high-cost projects launched in 2021-2022.
- Reflecting positive sentiment around SMR and plant project wins, as well as sustained margin improvement, we raise our target price for the stock to KRW115,000 (based on 0.88x 2026 P/B) and maintain our BUY rating.

AT A GLANCE

BUY

Target price	KRW115,000	23.5%
Current price	**KRW93,100**	
Market cap	KRW3.6t/USD2.5b	
Shares (float)	38,693,623 (72.2%)	
52-week high/low	KRW102,500/KRW38,700	
Avg daily trading value (60-day)	KRW99.8b/ USD68.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
DL E&C (%)	20.6	133.3	121.1
Vs Kospi (%pts)	-11.0	27.2	-23.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	115,000	57,000	101.8%
2025E EPS	8,625	8,625	0.0%
2026E EPS	11,107	11,107	0.0%

SAMSUNG vs THE STREET

No of estimates	19
Target price	108,000
Recommendation	4.0

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

WHAT'S THE STORY?

1Q operating profit surpasses consensus: DL E&C reported consolidated 1Q sales of KRW1.725t (down 4.6% y-y) and an operating profit of KRW157.4b (up 94.3% y-y), the latter exceeding FnGuide consensus of KRW105.3b by 50.2%. The housing segment and DL Construction posted a high gross margin of 20.1% and 17.6%, respectively (up from the 2025 levels of 16.3% and 12.1%), led by a favorable sales mix, as the share of high-cost projects initiated in 2021-2022 declined. For the full year, the figures are expected to hit 16.0-16.5% and about 15%, respectively.

Higher-than-expected margin levels: DL E&C initially forecasted a full-year housing gross margin of around 15%. However, it now expects housing gross margin of 16.0-16.5% and DL Construction gross margin of about 15%. Given that the 1Q outperformance was not driven by one-off gains (*eg*, contract value adjustments), sustainable margin expansion should lie ahead, unless geopolitical risks trigger sharp cost increases or significant delays, as the portion of legacy high-cost projects falls and the share of higher-margin projects (launched since 2023) rises.

(Continued on the next page)

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,725.2	-4.6	1.7	2.3	3.8
Operating profit	157.4	94.4	149.8	92.4	50.2
Pre-tax profit	212.3	399.2	nm	80.1	81.9
Net profit	160.1	429.3	-22.0	84.5	86.2
Margins (%)					
Operating profit	9.1				
Pre-tax profit	12.3				
Net profit	9.3				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	4.8	8.2	5.7
P/B	0.3	0.7	0.6
EV/EBITDA	1.5	3.9	1.8
Div yield (%)	2.2	1.0	1.0
EPS growth (% y-y)	61.3	28.8	45.0
ROE (%)	7.3	8.7	11.5
Per-share data (KRW)			
EPS	8,625	11,107	16,100
BVPS	126,050	136,616	152,331
DPS	890	890	890

Raising target price: DL E&C currently trades at a 2026 ROE of 8.7% and P/B of 0.7x, making it one of the most attractively valued construction stocks under coverage. The company recently signed a contract with US-listed SMR firm X-energy to standardize SMR design. It also holds approximately 3.4m shares of X-energy, with an estimated revaluation gain of KRW80b. Considering future potential in large-scale nuclear and SMR project wins, along with sustained margin improvement, we raise our target price for the stock to KRW115,000 (based on 0.88x 2026 P/B) and maintain our BUY rating.

DL E&C: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2023	2024	2025	2026E	2027E
Sales	**1,808.2**	**1,991.4**	**1,907.0**	**1,695.8**	**1,725.2**	**1,658.7**	**1,821.9**	**1,949.6**	**7,991.1**	**8,318.4**	**7,402.4**	**7,155.4**	**8,235.7**
Growth (% y-y)	-4.4	-3.8	-0.6	-30.5	-4.6	-16.7	-4.5	15.0	6.6	4.1	-11.0	-3.3	15.1
1. DL E&C	**1,344.2**	**1,556.4**	**1,536.6**	**1,319.6**	**1,351.5**	**1,336.0**	**1,492.9**	**1,615.4**	**5,591.5**	**5,855.9**	**5,756.8**	**5,795.8**	**6,833.0**
Growth (% y-y)	4.1	11.3	13.8	-27.3	0.5	-14.2	-2.8	22.4	-0.3	4.7	-1.7	0.7	17.9
1-1. Housing	**573.6**	**659.5**	**685.9**	**617.8**	**606.3**	**634.1**	**714.3**	**772.4**	**3,271.5**	**2,931.6**	**2,536.8**	**2,727.1**	**3,214.6**
Growth (% y-y)	-14.8	-7.8	7.5	-31.7	5.7	-3.9	4.1	25.0	-11.5	-10.4	-13.5	7.5	17.9
1-2. Civil	**192.6**	**189.7**	**151.7**	**209.8**	**166.5**	**178.8**	**191.5**	**203.6**	**916.5**	**918.3**	**743.8**	**740.4**	**899.2**
Growth (% y-y)	-3.4	-14.9	-33.1	-22.2	-13.6	-5.8	26.2	-2.9	-1.4	0.2	-19.0	-0.5	21.4
1-3. Plant	**578.0**	**707.2**	**699.0**	**492.0**	**578.7**	**523.1**	**587.2**	**639.4**	**1,403.5**	**2,006.0**	**2,476.2**	**2,328.4**	**2,719.3**
Growth (% y-y)	38.2	53.5	44.0	-23.4	0.1	-26.0	-16.0	30.0	43.5	42.9	23.4	-6.0	16.8
2. DL Construction	**466.7**	**437.6**	**368.5**	**379.8**	**376.0**	**322.8**	**329.0**	**334.1**	**2,430.0**	**2,469.2**	**1,652.6**	**1,361.9**	**1,402.7**
Growth (% y-y)	-21.9	-34.9	-35.3	-39.8	-19.4	-26.2	-10.7	-12.0	23.8	1.6	-33.1	-17.6	3.0
Gross profit	**193.1**	**253.7**	**256.5**	**196.9**	**263.6**	**223.9**	**257.9**	**289.0**	**782.1**	**845.8**	**900.2**	**1,034.3**	**1,357.8**
Growth (% y-y)	6.7	51.5	22.2	-31.5	36.5	-11.7	0.5	46.8	-16.0	8.1	6.4	14.9	31.3
1. DL E&C	**140.2**	**208.7**	**202.9**	**137.8**	**195.2**	**176.8**	**209.8**	**240.2**	**630.4**	**670.1**	**689.6**	**821.9**	**1,152.9**
1-1. Housing	53.3	84.1	119.1	105.9	122.1	97.3	109.6	118.5	265.8	274.0	362.5	447.6	493.3
1-2. Civil	19.7	16.7	-14.4	25.2	16.4	17.7	19.2	20.6	114.0	72.5	47.2	73.9	93.3
1-3. Plant	67.2	107.8	98.3	6.7	56.7	61.7	81.0	101.0	250.6	323.6	279.9	300.4	566.3
2. DL Construction	**51.3**	**44.8**	**51.1**	**34.0**	**66.2**	**47.1**	**48.1**	**48.8**	**149.8**	**165.6**	**181.2**	**210.2**	**204.9**
Gross margin (%)	**10.7**	**12.7**	**13.5**	**11.6**	**15.3**	**13.5**	**14.2**	**14.8**	**9.8**	**10.2**	**12.2**	**14.5**	**16.5**
1. DL E&C	**10.4**	**13.4**	**13.2**	**10.4**	**14.4**	**13.2**	**14.1**	**14.9**	**11.3**	**11.4**	**12.0**	**14.2**	**16.9**
1-1. Housing	9.3	12.8	17.4	17.1	20.1	15.3	15.3	15.3	8.1	9.3	14.3	16.4	15.3
1-2. Civil	10.2	8.8	-9.5	12.0	9.8	9.9	10.0	10.1	12.4	7.9	6.3	10.0	10.4
1-3. Plant	11.6	15.2	14.1	1.4	9.8	11.8	13.8	15.8	17.9	16.1	11.3	12.9	20.8
2. DL Construction	**11.0**	**10.2**	**13.9**	**9.0**	**17.6**	**14.6**	**14.6**	**14.6**	**6.2**	**6.7**	**11.0**	**15.4**	**14.6**
Operating profit	**81.0**	**126.2**	**116.8**	**63.0**	**157.4**	**108.0**	**144.7**	**166.1**	**330.7**	**270.9**	**387.0**	**576.2**	**867.6**
Growth (% y-y)	33.0	287.5	40.1	-33.1	94.4	-14.4	24.0	163.6	-33.5	-18.1	42.8	48.9	50.6
Operating margin (%)	4.5	6.3	6.1	3.7	9.1	6.5	7.9	8.5	4.1	3.3	5.2	8.1	10.5
Net profit	**30.2**	**8.3**	**126.3**	**230.6**	**160.1**	**77.7**	**106.4**	**132.4**	**202.2**	**229.2**	**395.5**	**476.7**	**691.0**
Growth (% y-y)	16.4	-79.6	179.0	96.6	429.5	837.1	-15.8	-35.5	-53.2	13.4	72.5	28.8	45.0
Net margin (%)	1.7	0.4	6.6	13.6	9.3	4.7	5.8	6.8	2.5	2.8	5.3	6.7	8.4
Net profit (controlling interests)	**30.2**	**8.3**	**126.3**	**230.6**	**160.1**	**77.7**	**106.4**	**132.4**	**187.9**	**229.2**	**395.5**	**476.7**	**691.0**
Growth (% y-y)	16.4	-79.6	179.0	96.6	429.5	837.1	-15.8	-35.5	-54.5	22.0	72.5	28.8	45.0
Net margin (controlling interests) (%)	1.7	0.4	6.6	13.6	9.3	4.7	5.8	6.8	2.4	2.8	5.3	6.7	8.4

Source: Company data, Samsung Securities

DL E&C: Valuation

(KRW)		Note
BVPS	130,875	12-month-forward
Target P/B (x)	0.88	Assumes COE of 8.7%, ROE of 8.5%, and perpetual growth of 1.0%
Target price	115,000	
Current price	91,300	As of May 4 close
Upside (%)	26.0	

Source: Bloomberg, Samsung Securities

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**7,991**	**8,318**	**7,402**	**7,155**	**8,236**
Cost of goods sold	7,209	7,473	6,502	6,121	6,878
Gross profit	**782**	**846**	**900**	**1,034**	**1,358**
Gross margin (%)	9.8	10.2	12.2	14.5	16.5
SG&A expenses	451	575	513	458	490
Operating profit	**331**	**271**	**387**	**576**	**868**
Operating margin (%)	4.1	3.3	5.2	8.1	10.5
Non-operating gains (losses)	**-51**	**83**	**-270**	**66**	**71**
Financial profit	146	203	147	80	113
Financial costs	63	66	134	58	55
Equity-method gains (losses)	24	-8	2	0	0
Other	-157	-45	-285	44	14
Pre-tax profit	**280**	**354**	**117**	**642**	**939**
Taxes	78	125	-253	166	248
Effective tax rate (%)	27.7	35.2	-215.9	25.8	26.4
Profit from continuing operations	202	229	370	477	691
Profit from discontinued operations	0	0	0	0	0
Net profit	**202**	**229**	**370**	**477**	**691**
Net margin (%)	2.5	2.8	5.0	6.7	8.4
Net profit (controlling interests)	188	229	370	477	691
Net profit (non-controlling interests)	14	0	0	0	0
EBITDA	418	356	461	609	877
EBITDA margin (%)	5.2	4.3	6.2	8.5	10.6
EPS (parent-based) (KRW)	4,377	5,348	8,625	11,107	16,100
EPS (consolidated) (KRW)	4,710	5,348	8,625	11,107	16,100
Adjusted EPS (KRW)*	4,377	5,348	8,625	11,107	16,100

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**5,783**	**6,006**	**5,635**	**6,426**	**7,280**
Cash & equivalents	2,004	1,864	1,844	2,176	2,988
Accounts receivable	851	1,041	1,040	1,196	1,208
Inventories	938	921	886	895	904
Other current assets	1,989	2,179	1,864	2,159	2,180
Fixed assets	**3,561**	**3,707**	**4,035**	**4,184**	**4,286**
Investment assets	1,370	1,433	1,484	1,667	1,778
Tangible assets	128	36	42	14	9
Intangible assets	33	29	21	16	12
Other long-term assets	2,030	2,209	2,487	2,487	2,487
Total assets	**9,344**	**9,712**	**9,669**	**10,610**	**11,566**
Current liabilities	**3,749**	**3,855**	**3,727**	**4,206**	**4,496**
Accounts payable	1,061	1,054	754	866	934
Short-term debt	145	160	160	160	160
Other current liabilities	2,543	2,641	2,813	3,180	3,402
Long-term liabilities	**827**	**1,012**	**699**	**720**	**733**
Bonds & long-term debt	628	847	444	444	444
Other long-term liabilities	199	165	254	276	288
Total liabilities	**4,575**	**4,867**	**4,425**	**4,926**	**5,229**
Owners of parent equity	**4,769**	**4,846**	**5,244**	**5,684**	**6,337**
Capital stock	215	229	229	229	229
Capital surplus	3,847	3,831	3,831	3,831	3,831
Retained earnings	990	1,076	1,423	1,863	2,517
Other	-284	-291	-239	-239	-239
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**4,769**	**4,846**	**5,244**	**5,684**	**6,337**
Net debt	-998	-980	-1,010	-1,337	-2,148

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**231**	**188**	**232**	**546**	**946**
Net profit	202	229	370	477	691
Non-cash profit and expenses	434	411	280	165	186
Depreciation	78	76	68	28	5
Amortization	10	9	6	5	4
Other	346	326	206	132	177
Changes in A/L from operating activities	-364	-375	-347	38	259
Cash flow from investments	**201**	**-167**	**-52**	**-101**	**-51**
Change in tangible assets	-11	-4	-15	0	0
Change in financial assets	280	-9	21	-103	-64
Other	-68	-154	-58	2	13
Cash flow from financing	**-189**	**-192**	**-222**	**-30**	**-33**
Change in debt	39	-107	-61	7	4
Change in equity	353	-2	0	0	0
Dividends	-44	-22	-23	-37	-37
Other	-537	-61	-138	0	0
Change in cash	252	-140	-20	332	812
Cash at beginning of year	1,752	2,004	1,864	1,844	2,176
Cash at end of year	2,004	1,864	1,844	2,176	2,988
Gross cash flow	**636**	**640**	**650**	**642**	**877**
Free cash flow	**219**	**178**	**215**	**546**	**946**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	6.6	4.1	-11.0	-3.3	15.1
Operating profit	-33.5	-18.1	42.8	48.9	50.6
Net profit	-53.2	13.4	61.5	28.8	45.0
Adjusted EPS**	-54.5	22.2	61.3	28.8	45.0
Per-share data (KRW)					
EPS (parent-based)	4,377	5,348	8,625	11,107	16,100
EPS (consolidated)	4,710	5,348	8,625	11,107	16,100
Adjusted EPS**	4,377	5,348	8,625	11,107	16,100
BVPS	118,957	114,139	126,050	136,616	152,331
DPS (common)	500	540	890	890	890
Valuations (x)					
P/E***	8.2	6.0	4.8	8.4	5.8
P/B***	0.3	0.3	0.3	0.7	0.6
EV/EBITDA	1.2	1.0	1.5	4.0	1.9
Ratios (%)					
ROE	4.1	4.8	7.3	8.7	11.5
ROA	2.2	2.4	3.8	4.7	6.2
ROIC	11.9	8.9	66.0	23.3	37.5
Payout ratio	9.6	9.0	9.0	7.0	4.8
Dividend yield (common)	1.4	1.7	2.2	1.0	1.0
Net debt to equity	-20.9	-20.2	-19.3	-23.5	-33.9
Interest coverage (x)	6.8	5.3	8.7	18.6	27.9

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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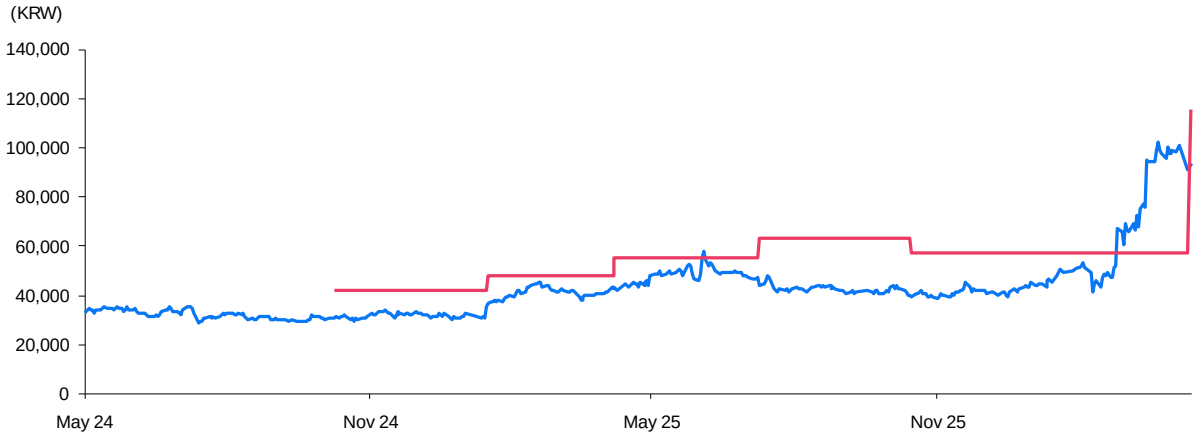
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/11/1	2025/2/7	4/30	8/1	11/7	2026/5/6
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	42000	48000	55000	63000	57000	115000
Gap* (average)	-24.24	-14.33	-11.77	-32.37	-3.68	
(max or min)**	-16.31	-5.42	5.82	-23.97	79.82	

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

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* 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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