COMPANY UPDATE

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Haesung DS (195870)

1Q review; stepping onto the AI stage with new products

- Haesung DS delivered strong lead frame sales in 1Q, but earnings fell q-q due to rising copper prices. The package substrate business incurred a loss as a result of declining DDR4 sales.
- The company's earnings should head north in 2Q, backed by ASP hikes (reflecting strong raw material costs) and increasing DDR5 sales volume (coupled with rising chip prices).
- Haesung DS is now in product validation with key customers for heat slug; if successful, sales contribution is anticipated from 2H26. As Haesung DS integrates into the AI value chain, it is likely to stage a re-rating.

WHAT'S THE STORY?

Raising target price by 33% to KRW100,000: We derive our new target price by applying a P/E of 18.5x to our 2026-2027 average EPS forecast.

- **Raising target P/E multiple by 23% to 18.5x:** This revision reflects the prospects of: 1) accelerating DDR5 substrate sales from 2Q26; and 2) the company's strategic entry into the heat slug market, leveraging its deep expertise in lead frame manufacturing. The new multiple sits at the top end of Haesung DS' 10-year historical P/E range, but is still a 20% discount to the peer group's average 2026-2027 P/E (Bloomberg).
- **Haesung DS has traded at a 30-50% discount to its peers, largely due to:** 1) the perception of stagnant global demand for lead frames—although the company is the world's second-largest player; and 2) its status as a latecomer in the packaging substrate segment. However, by leveraging its core competencies in copper processing and surface plating (developed over decades in lead frame production), the company is now entering the heat slug market essential for edge chips and data centers. This strategic expansion positions the company to close its valuation gap, with potential upside to a 20-23x P/E (in line with its peers).

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW100,000	28.2%
Current price	**KRW78,000**	
Market cap	KRW1.3t/USD0.9b	
Shares (float)	17,000,000 (61.8%)	
52-week high/low	KRW81,700/KRW18,000	
Avg daily trading value (60-day)	KRW15.4b/ USD10.6m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
Haesung DS (%)	49.1	41.8	251.4
Vs Kospi (%pts)	10.1	-22.7	21.8

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	100,000	75,000	33.3%
2026E EPS	4,262	4,828	-11.7%
2027E EPS	6,465	6,304	2.6%

SAMSUNG vs THE STREET

No of estimates	6
Target price	77,000
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	188.7	37.3	4.9	-4.1	-1.4
Operating profit	11.0	3,001.4	-49.5	-52.4	-52.3
Pre-tax profit	14.2	102,210.6	-2.4	-29.1	-28.8
Controlling profit	10.8	1,760.1	12.4	-30.0	-36.0
Margins (%)					
Operating profit	5.8				
Pre-tax profit	7.5				
Controlling profit	5.7				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	39.8	18.3	12.1
P/B	1.7	2.1	1.9
EV/EBITDA	10.2	9.2	6.9
Div yield (%)	1.6	1.3	1.5
EPS growth (% y-y)	-59.4	204.2	51.7
ROE (%)	4.3	12.2	16.5
Per-share data (KRW)			
EPS	1,401	4,262	6,465
BVPS	33,198	36,561	42,026
DPS	900	1,000	1,200

- **Heat slug—demand to surge in the AI era:** Heat slug technology enhances thermal management in semiconductor packages by spreading heat across a larger surface area, significantly improving cooling efficiency. It typically involves either: 1) attaching a copper alloy metal block directly onto the chip or lead frame, channeling heat upward to a heatsink; or 2) redesigning the lead frame with multiple thermal pathways, enabling independent cooling for each die in high-power, multi-chip packages.
- **Oligopolistic market, but new opportunities for lead frame makers:** The heat slug market is currently dominated by three players (ie, Japan's Shinko, US-based Honeywell Advanced Materials, and Taiwan's Jentech Precision Industrial, which collectively control 85% of global supply. But surging demand for AI server components has stretched production capacity, leading to delivery delays. In response, major US tech firms are now turning to lead frame manufacturers, whose materials and processes are closely aligned, to develop heat slug solutions. Taiwan's SDI has already announced during its recent earnings call that it will begin shipping to these clients from 2Q26, calling it a core growth driver for the next three years. Haesung DS is now in product validation with key customers; if successful, volume production and shipments are expected to begin from 2H26.
- **Market outlook:** According to Data Insights Market, the global heat slug market is projected to grow from USD1.71b (KRW2.5t) in 2025 to USD2.65b (KRW3.9t) by 2033, representing a CAGR of 6.9%. If Haesung DS captures a 5% of this market, it could generate an additional KRW100b-KRW200b in annual sales.

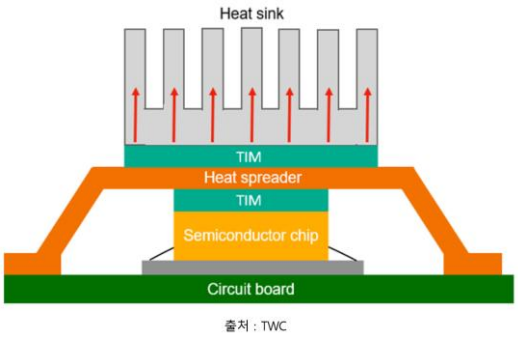
1Q review—profitability hit by falling DDR4 sales and rising input costs: Raw material costs are typically passed on to clients with a one-quarter delay. DDR5 sales are likely to fully offset the decline in DDR4 sales from 2Q.

- **Consolidated results:** Haesung DS reported 1Q26 sales of KRW188.7b (+4.9% q-q and +37.3% % y-y) and an operating profit of KRW11b (-49.5% q-q and +3,001% y-y) for an operating margin of 5.8%. Lead frame sales continued to grow, but rising raw materials costs (eg, copper and platinum) squeezed profitability. The packaging substrate business turned to a loss as sales declined.
- **Lead frame sales at KRW143.8b (+9.8% q-q and +30%y-y):** The firm's automotive lead frame sales hit KRW91b (+7.6% q-q and +23.5%y-y), representing 48% of its sales. Its automotive lead frame sales hit an all-time high, exceeding the levels observed during the 2021-2022 chip shortage. As demand for AI data centers drove lead frame production toward power semiconductors, Haesung DS' orders for automotive substrates expanded. The company is likely to mark up prices in 2Q to fully pass through higher raw material costs to clients.
- **Package substrate sales at KRW48.1b (-5.8% q-q and +75% y-y):** The company's DDR5 package substrate shipments to a domestic client began in Apr 2025, and triple the amount was shipped to the domestic client's Chinese plant in Jul 2025. Growing DDR5 sales are now offsetting the reduction in DDR4 sales. Packaging substrate business should report sales of over KRW60b in 2Q26 and become profitable.

  Most global semiconductor manufacturers have discontinued DDR4 production. While a few maintained limited production for legacy PC demand, DDR5 supply shortages forced them to reduce DDR4 output. As a result, Haesung DS's DDR4 substrate sales fell below KRW10b in 1Q.
- **Non-operating profit—forex gains:** Over 95% of Haesung DS' sales are in the US dollars. The weakening Korean won generated around KRW7b in forex valuation gains on the accounts receivable.

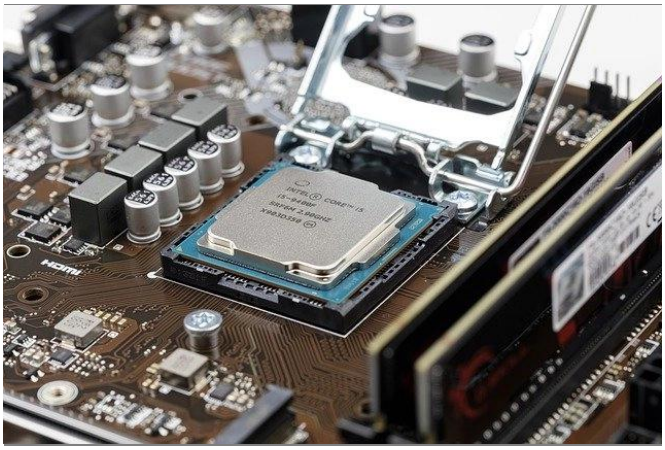
2Q preview: Backed by ASP hikes and growing DDR5 sales, the company should report 2Q26 sales of KRW200b (+5.7% q-q and +26.8% y-y) and an operating profit of KRW23.4b (up 124% q-q and +83.9% y-y), for an operating margin of 11.7%. FnGuide consensus puts sales at KRW200b and operating profit at KRW26.5b, for an operating margin of 13.2%.

Heat spreader structure



Source: TWC, Google Image

Intel CPU: Assembled with the heat spreader and heat sink



Source: Google Image

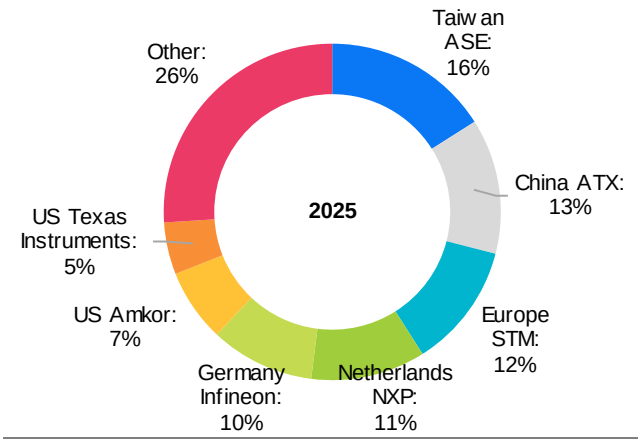
Collaborative robot smart actuator and substrate

Source: Google Image

Nvidia GTC 2026: Physical AI and robotics

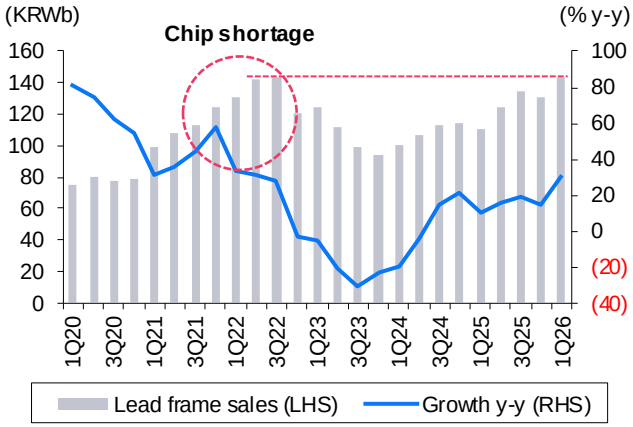
Source: Media

Haesung DS: Lead frame sales, by customer (2025)



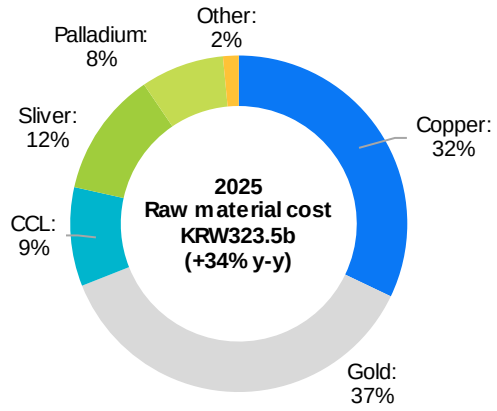
Source: Company data, Samsung Securities

Lead frame sales heading into chip shortage cycle



Source: Company data, Samsung Securities

Haesung DS: Composition of raw-material costs



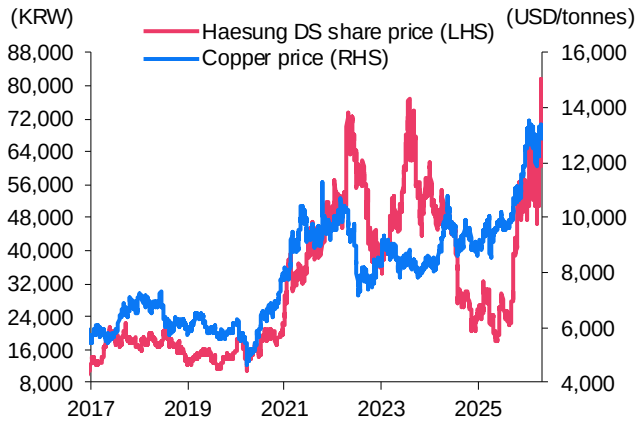
Source: Company data, Samsung Securities

Global lead frame market shares

(%)	Market share
Mitsui High-tec (Japan)	11
Haesung DS (Korea)	9
CWTC (Taiwan)	8
Shinko (Japan)	8

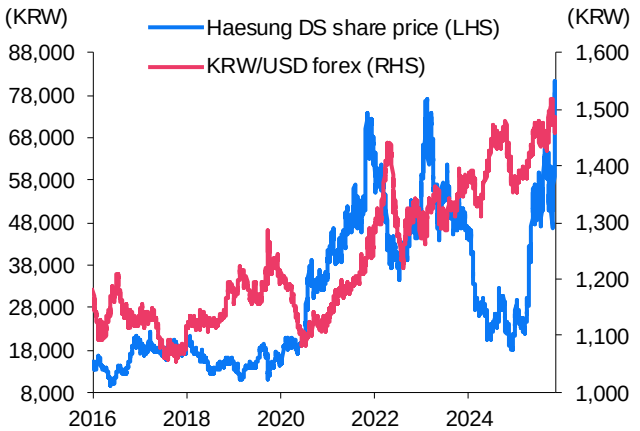
Source: Haesung DS, Samsung Securities

Haesung DS: Share price vs copper prices



Source: Bloomberg, Samsung Securities

Haesung DS: Share price vs KRW/USD exchange rate



Source: Bloomberg, Samsung Securities

Haesung DS: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025E	2026E	2027E
KRW/USD (avg)	1,453	1,400	1,387	1,452	1,467	1,450	1,430	1,420	1,365	1,422	1,442	1,390
Revenue	137	157	179	180	189	200	214	217	603	653	820	961
Growth (% y-y)	-11.2	2.5	19.5	23.9	37.3	26.8	20.0	20.8	-10.3	8.4	25.5	17.2
Lead frame	111	124	135	131	144	137	149	142	434	501	571	630
Package substrate	28	34	47	51	48	63	65	76	169	160	252	331
Gross profit	14	22	27	42	27	40	45	51	111	105	163	216
Operating profit	0.4	8.2	16.1	21.8	11.0	23.4	28.4	33.7	56.9	46.5	96.4	141.4
Growth (% y-y)	-98.3	-54.3	37.6	247.7	3,042.9	184.0	76.2	54.4	-44.5	-18.3	107.4	46.7
Pre-tax profit	0.0	-0.8	18.8	14.6	14.2	22.2	29.5	28.4	67.0	32.6	94.3	143.0
Net profit	0.6	-0.4	14.1	9.3	10.8	17.1	22.7	21.9	58.7	23.5	72.5	109.9
Growth (% y-y)	-97.0	-102.1	136.1	-24.1	1,762.1	nm	61.4	134.9	-30.5	-59.9	208.2	51.7
Controlling profit	0.6	-0.4	14.1	9.3	10.8	17.1	22.7	21.9	58.7	23.5	72.5	109.9
Growth (% y-y)	-97.0	-102.1	136.1	-24.1	1,762.1	nm	61.4	134.9	-30.5	-59.9	208.2	51.7
Margins (% y-y)												
Gross profit	9.9	13.9	15.1	23.4	14.4	19.9	20.9	23.6	18.5	16.0	19.9	22.5
Operating profit	0.3	5.2	9.0	12.1	5.8	11.7	13.2	15.5	9.4	7.1	11.8	14.7
Pre-tax profit	0.0	-0.5	10.5	8.1	7.5	11.1	13.8	13.1	11.1	5.0	11.5	14.9
Controlling profit	0.4	-0.3	7.9	5.2	5.7	8.6	10.6	10.1	9.7	3.6	8.8	11.4

Source: Company data, Samsung Securities estimates

Global semiconductor substrate manufacturers: Valuations

Company	Stock price		Performance (%)			Market cap		P/E (x)			P/B (x)			ROE (%)		
		(Local)	1M	3M	YTD	(Local bil.)	(USDb)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Lead frame manufacturers																
Mitsui High-Tec	JPY	641	8.8	-13.8	-4.0	126.5	0.8	12.4	13.3	11.3	1.0	0.9	0.9	8.6	8.2	9.3
SDI Electric	TWD	155	64.2	74.5	116.2	28.2	0.9	36.1	30.6	n/a	3.7	3.5	n/a	10.6	12.2	n/a
ASM Pacific	HKD	163.9	65.1	57.7	215.4	68.5	8.7	41.8	28.4	23.3	3.7	3.4	3.2	9.6	13.0	15.1
Ningbo Kangqiang	CNY	21.0	4.9	-20.1	37.5	7.9	1.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average								30.1	24.1	17.3	2.8	2.6	2.0	9.6	11.1	12.2
Package Substrate manufactures																
Unimicron	TWD	883	98.7	133.3	847.7	1,391.2	43.9	62.8	31.4	19.6	11.7	9.2	6.8	19.5	31.6	36.8
Ibiden	JPY	13,420	82.0	63.1	579.9	3,780.7	23.6	73.5	61.4	45.2	6.6	6.0	5.4	10.1	10.4	12.7
Samsung Electro-mechanics	KRW	831,000	107.0	187.5	606.0	62,070.5	41.8	53.8	35.6	27.8	6.1	5.3	4.4	11.8	15.4	17.2
Kinsus	TWD	539	72.2	113.9	641.4	284.0	9.0	57.6	32.6	17.1	6.7	5.9	4.0	12.0	17.3	28.2
LG Innotek	KRW	576,000	95.9	135.1	312.6	13,632.3	9.2	18.4	16.1	13.9	2.1	1.9	1.7	12.3	12.2	12.6
Simmtech	KRW	87,700	86.4	46.7	457.2	3,274.9	2.2	30.9	18.3	17.0	5.0	3.9	3.3	18.0	23.9	21.1
Daeduck Electronics	KRW	114,500	49.3	83.5	720.2	5,658.2	3.8	32.9	24.2	18.5	5.5	4.6	3.8	17.8	20.5	22.1
Korea Circuit	KRW	93,700	35.8	34.0	825.0	2,247.2	1.5	21.5	15.5	12.3	4.7	3.8	3.0	21.7	24.6	23.7
Average								43.9	29.4	21.4	6.1	5.1	4.1	15.4	19.5	21.8
Haesung DS	**KRW**	**78,700**	**68.5**	**22.6**	**240.7**	**1,337.9**	**0.9**	**16.5**	**13.4**	**11.5**	**2.1**	**1.8**	**1.6**	**13.6**	**14.7**	**17.0**

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**603**	**653**	**820**	**961**	**1,108**
Cost of goods sold	492	556	657	745	853
Gross profit	**111**	**98**	**163**	**216**	**255**
Gross margin (%)	18.5	15.0	19.9	22.5	23.0
SG&A expenses	55	51	66	74	84
Operating profit	**57**	**46**	**96**	**141**	**172**
Operating margin (%)	9.4	7.1	11.8	14.7	15.5
Non-operating gains (losses)	**10**	**-14**	**-2**	**2**	**-5**
Financial profit	3	2	2	2	3
Financial costs	3	7	8	8	8
Equity-method gains (losses)	0	0	0	0	0
Other	10	-9	4	8	-0
Pre-tax profit	**67**	**33**	**94**	**143**	**167**
Taxes	8	9	22	33	39
Effective tax rate (%)	12.3	26.9	23.1	23.1	23.1
Profit from continuing operations	59	24	72	110	128
Profit from discontinued operations	0	0	0	0	0
Net profit	**59**	**24**	**72**	**110**	**128**
Net margin (%)	9.7	3.6	8.8	11.4	11.6
Net profit (controlling interests)	59	24	72	110	128
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	107	104	157	201	232
EBITDA margin (%)	17.8	15.9	19.1	21.0	20.9
EPS (parent-based) (KRW)	3,453	1,401	4,262	6,465	7,534
EPS (consolidated) (KRW)	3,453	1,401	4,262	6,465	7,534
Adjusted EPS (KRW)*	3,453	1,401	4,262	6,465	7,534

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**322**	**386**	**435**	**549**	**677**
Cash & equivalents	84	108	87	140	206
Accounts receivable	117	136	171	201	231
Inventories	107	132	166	195	225
Other current assets	13	9	11	13	15
Fixed assets	**472**	**494**	**514**	**514**	**514**
Investment assets	0	0	0	0	0
Tangible assets	425	456	479	481	484
Intangible assets	32	23	20	18	15
Other long-term assets	15	15	15	15	15
Total assets	**794**	**881**	**949**	**1,063**	**1,192**
Current liabilities	**201**	**180**	**189**	**208**	**227**
Accounts payable	20	32	40	47	54
Short-term debt	73	81	81	81	81
Other current liabilities	108	67	68	80	93
Long-term liabilities	**36**	**137**	**139**	**140**	**142**
Bonds & long-term debt	26	120	120	120	120
Other long-term liabilities	10	17	19	21	22
Total liabilities	**238**	**316**	**328**	**348**	**369**
Owners of parent equity	**556**	**564**	**622**	**714**	**822**
Capital stock	85	85	85	85	85
Capital surplus	22	22	22	22	22
Retained earnings	449	457	514	607	715
Other	1	0	0	0	0
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**556**	**564**	**622**	**714**	**822**
Net debt	43	114	123	70	4

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**61**	**67**	**86**	**130**	**147**
Net profit	59	24	72	110	128
Non-cash profit and expenses	73	87	89	99	104
Depreciation	48	54	57	57	58
Amortization	2	4	3	3	2
Other	23	29	28	39	44
Changes in A/L from operating activities	-60	-32	-47	-40	-41
Cash flow from investments	**-144**	**-119**	**-80**	**-60**	**-60**
Change in tangible assets	-148	-116	-80	-60	-60
Change in financial assets	-0	0	-0	-0	-0
Other	4	-2	0	0	-0
Cash flow from financing	**27**	**76**	**-28**	**-17**	**-20**
Change in debt	47	95	-12	0	0
Change in equity	0	0	0	0	0
Dividends	-15	-14	-15	-17	-20
Other	-5	-5	0	0	0
Change in cash	-56	24	-22	53	66
Cash at beginning of year	140	84	108	87	140
Cash at end of year	84	108	87	140	206
Gross cash flow	**132**	**111**	**161**	**209**	**232**
Free cash flow	**-88**	**-50**	**6**	**70**	**87**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	-10.3	8.4	25.5	17.2	15.3
Operating profit	-44.5	-18.2	107.4	46.7	21.5
Net profit	-30.5	-59.4	204.2	51.7	16.5
Adjusted EPS**	-30.5	-59.4	204.2	51.7	16.5
Per-share data (KRW)					
EPS (parent-based)	3,453	1,401	4,262	6,465	7,534
EPS (consolidated)	3,453	1,401	4,262	6,465	7,534
Adjusted EPS**	3,453	1,401	4,262	6,465	7,534
BVPS	32,722	33,198	36,561	42,026	48,360
DPS (common)	800	900	1,000	1,200	1,200
Valuations (x)					
P/E***	6.8	39.8	18.3	12.1	10.4
P/B***	0.7	1.7	2.1	1.9	1.6
EV/EBITDA	4.1	10.2	9.2	6.9	5.7
Ratios (%)					
ROE	11.0	4.3	12.2	16.5	16.7
ROA	7.9	2.8	7.9	10.9	11.4
ROIC	9.5	5.3	10.4	14.1	16.3
Payout ratio	23.2	64.2	23.5	18.6	15.9
Dividend yield (common)	3.4	1.6	1.3	1.5	1.5
Net debt to equity	7.8	20.2	19.8	9.8	0.5
Interest coverage (x)	17.9	6.9	11.6	17.5	21.3

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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- As of 5/6 2026, Samsung Securities' holdings of shares and debt instruments convertible into shares of each company covered in this report would not, if such debt instruments were converted, exceed 1% of each company's outstanding shares.
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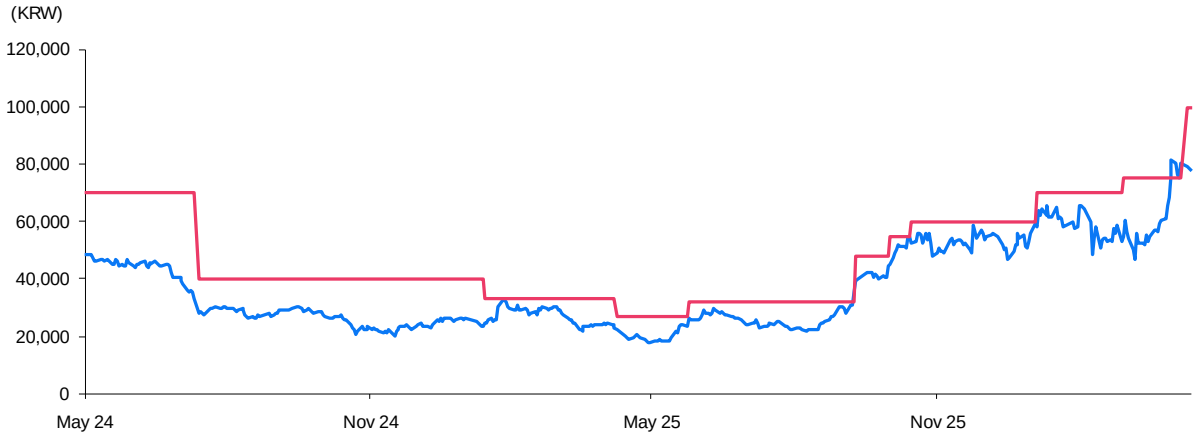
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2024/4/30	8/5	2025/2/5	5/2	6/17	10/2	10/24	11/7	2026/1/27	3/24	5/4
Recommendation	BUY	HOLD	BUY	HOLD	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	70000	40000	33000	27000	32000	48000	55000	60000	70000	75000	100000
Gap* (average)	-35.33	-34.76	-18.15	-26.39	-19.38	-13.50	-6.68	-11.60	-15.69	-18.40	
(max or min)**	-26.86	-24.00	-1.06	-11.30	11.25	-6.77	0.00	-0.83	-6.14	8.93	

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
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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General

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