COMPANY UPDATE

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HD KSOE (009540)

Asset value continues to expand

- HD Korea Shipbuilding & Offshore Engineering (HD KSOE) reported 1Q results that beat market consensus, with profitability improving across all business segments. The recovery in profitability at HD Hyundai Samho, a subsidiary with a high ownership stake, was particularly positive.
- Reflecting multiple positives (*eg*, the share price surge of listed subsidiaries, the increased likelihood of exchangeable bonds on HD Hyundai Heavy Industries being converted, and a sector-wide valuation rebound), we raise our target price for the stock to KRW700,000.

WHAT'S THE STORY?

1Q review—Profitability improvement at key subsidiaries: HD KSOE's 1Q consolidated operating profit beat market consensus by 15%. Profit margins improved both q-q and y-y across the shipbuilding, offshore, and engine & machinery divisions. The recovery of HD Hyundai Samho's operating margin to 18% was particularly positive. As HD KSOE holds a 97% stake in this unlisted subsidiary, its earnings recovery has a disproportionately large impact on HD KSOE's consolidated net profit and overall corporate value compared to other subsidiaries.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW700,000	49.7%
Current price	**KRW467,500**	
Market cap	KRW33.1t/USD22.8b	
Shares (float)	70,773,116 (63.2%)	
52-week high/low	KRW479,500/KRW273,000	
Avg daily trading value (60-day)	KRW102.2b/ USD70.3m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
HD KSOE (%)	24.3	12.5	67.0
Vs Kospi (%pts)	-8.8	-40.6	-42.6

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	700,000	620,000	12.9%
2026E EPS	44,561	43,769	1.8%
2027E EPS	60,584	60,798	-0.4%

SAMSUNG vs THE STREET

No of estimates	12
Target price	572,917
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	8,141	20.2	-0.1	2.0	1.7
Operating profit	1,356	57.8	30.6	18.8	14.8
Pre-tax profit	1,568	96.2	44.9	33.0	38.0
Net profit	844	70.4	23.6	16.4	15.9
Margins (%)					
Operating profit	16.7				
Pre-tax profit	19.3				
Net profit	10.4				

Source: Company data, FnGuide, Samsung Securities estimates

VALUATION SUMMARY

	2025	2026E	2027E
Valuations (x)			
P/E	15.3	10.5	7.7
P/B	2.5	2.1	1.8
EV/EBITDA	6.6	4.5	2.6
Div yield (%)	2.6	3.2	4.3
EPS growth (% y-y)	85.0	45.4	36.0
ROE (%)	18.9	22.4	26.5
Per-share data (KRW)			
EPS	30,639	44,561	60,584
BVPS	187,728	219,519	264,260
DPS	12,300	15,000	20,000

Rising asset value: We raise our target price for HD KSOE to KRW700,000, maintaining the sum-of-the-parts (SOTP) valuation method. The adjustment reflects the increase in the value of KSOE's investment assets since the last target price setting. First, the share price surge of HD Hyundai Heavy Industries has increased the value of KSOE's existing stake and expanded the likelihood of the exchangeable bonds issued against these shares being converted. In this scenario, HD KSOE's equity stake would be converted into cash assets, which typically do not incur a discount in valuation. Secondly, the recent rebound in shipbuilding stocks has led us to apply a higher valuation multiple to HD Hyundai Samho. Third, valuations for non-shipbuilding listed subsidiaries have also remained robust recently.

From a long-term perspective, HD Hyundai Group's overseas shipbuilding investment strategy is positive for HD KSOE's value. The group is currently pursuing the construction of overseas production bases in Southeast Asia, India, South America, and the Middle East, with HD KSOE and HD Hyundai Heavy Industries serving as the primary investment vehicles. Given the group's competitiveness and efficient expansion strategy, the probability of success is high. Considering the broader trend of rising valuations across the industrial sector, including shipbuilding, the value of overseas yards should be reflected in HD KSOE's share price over the long term.

HD KSOE: 1Q results

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)	Consensus	Diff (%)	Samsung Securities	Diff (%)
Sales	8,141	8,152	-0.1	6,772	20.2	8,007	1.7	7,981	2.0
Operating profit	1,356	1,038	30.6	859	57.8	1,181	14.8	1,141	18.8
Pre-tax profit	1,568	1,082	44.9	799	96.2	1,136	38.0	1,179	33.0
Net profit	844	683	23.6	495	70.4	729	15.9	725	16.4
Margins (%)									
Operating profit	16.7	12.7		12.7		14.8		14.3	
Pre-tax profit	19.3	13.3		11.8		14.2		14.8	
Net profit	10.4	8.4		7.3		9.1		9.1	

Source: FnGuide, Samsung Securities estimates

HD Hyundai Samho: 1Q results

(KRWb)	1Q26	4Q25	Chg (% q-q)	1Q25	Chg (% y-y)
Sales	2,125	2,020	5.2	1,966	8.0
Operating profit	395	319	24.0	366	8.0
Pre-tax profit	482	347	39.0	355	36.1
Net profit	355	279	27.6	271	31.0
Margins (%)					
Operating profit	18.6	15.8		18.6	
Pre-tax profit	22.7	17.2		18.0	
Net profit	16.7	13.8		13.8	

Source: Company data

HD KSOE: Sum-of-the-parts valuation

(KRWb)		
Listed companies' value*	A = (b+c+d+e) x 60%	28,830
HD Hyundai Heavy Industries	(b)	45,499
HD Hyundai Energy Solution	(c)	1,206
HD Hyundai Marine Engine	(d)	1,200
HD Hyundai HYMS	(e)	145
Unlisted companies' value	F = (g+h) x 50%	15,695
HD Hyundai Samho*	(g)	30,729
Affiliates/Joint ventures**	(h)	662
EB***	I	3,351
Net cash (parent)	J	1,541
EV	K = A+F+I+J	49,417
Shares (float, ex treasury shares) ('000)	L	70,715
Target price (KRW)	(K/L)	700,000

Note: *Average 2026E P/E of major shipbuilders applied to HD Hyundai Samho net profit;
**HD Hyundai Asia Holdings valued at book value;
**Assumed EBs be fully exchanged and reflected without discount

Source: Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Sales	**25,539**	**29,933**	**33,350**	**39,068**	**40,711**
Cost of goods sold	22,943	24,605	26,675	30,448	31,358
Gross profit	**2,595**	**5,328**	**6,675**	**8,620**	**9,354**
Gross margin (%)	10.2	17.8	20.0	22.1	23.0
SG&A expenses	1,161	1,424	1,368	1,584	1,675
Operating profit	**1,434**	**3,904**	**5,307**	**7,036**	**7,679**
Operating margin (%)	5.6	13.0	15.9	18.0	18.9
Non-operating gains (losses)	**389**	**-338**	**84**	**294**	**461**
Financial profit	1,877	1,723	1,252	1,759	781
Financial costs	5,179	2,094	1,569	1,944	93
Equity-method gains (losses)	-0	0	0	0	0
Other	3,690	32	400	478	-227
Pre-tax profit	**1,823**	**3,566**	**5,391**	**7,329**	**8,140**
Taxes	368	638	1,348	1,832	2,035
Effective tax rate (%)	20.2	17.9	25.0	25.0	25.0
Profit from continuing operations	1,455	2,928	4,043	5,497	6,105
Profit from discontinued operations	0	0	0	0	0
Net profit	**1,455**	**2,928**	**4,043**	**5,497**	**6,105**
Net margin (%)	5.7	9.8	12.1	14.1	15.0
Net profit (controlling interests)	1,172	2,168	3,154	4,288	4,762
Net profit (non-controlling interests)	282	760	890	1,209	1,343
EBITDA	1,960	4,488	5,733	7,526	8,140
EBITDA margin (%)	7.7	15.0	17.2	19.3	20.0
EPS (parent-based) (KRW)	16,565	30,639	44,561	60,584	67,281
EPS (consolidated) (KRW)	20,553	41,377	57,129	77,672	86,258
Adjusted EPS (KRW)*	16,565	30,639	44,561	60,584	67,281

Balance sheet

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Current assets	**20,431**	**23,424**	**29,347**	**38,344**	**45,143**
Cash & equivalents	3,717	3,742	8,112	14,724	21,231
Accounts receivable	1,264	1,454	1,620	1,898	1,978
Inventories	2,232	2,766	3,107	3,639	3,792
Other current assets	13,218	15,463	16,509	18,084	18,142
Fixed assets	**16,288**	**16,118**	**16,413**	**16,657**	**16,870**
Investment assets	2,173	1,597	1,598	1,598	1,598
Tangible assets	11,111	12,025	12,307	12,537	12,738
Intangible assets	375	519	533	546	558
Other long-term assets	2,629	1,976	1,976	1,976	1,976
Total assets	**36,719**	**39,542**	**45,760**	**55,002**	**62,013**
Current liabilities	**19,325**	**20,011**	**21,472**	**24,557**	**25,530**
Accounts payable	2,247	2,328	2,594	3,039	3,167
Short-term debt	187	97	600	300	300
Other current liabilities	16,891	17,585	18,278	21,218	22,063
Long-term liabilities	**3,238**	**2,623**	**5,129**	**8,119**	**10,630**
Bonds & long-term debt	854	792	817	857	897
Other long-term liabilities	2,385	1,831	4,313	7,263	9,733
Total liabilities	**22,563**	**22,634**	**26,602**	**32,677**	**36,160**
Owners of parent equity	**11,099**	**13,286**	**15,536**	**18,702**	**22,231**
Capital stock	354	354	354	354	354
Capital surplus	2,600	3,017	3,017	3,017	3,017
Retained earnings	15,084	16,668	18,980	22,147	25,675
Other	-6,938	-6,752	-6,815	-6,815	-6,815
Non-controlling interests' equity	**3,056**	**3,622**	**3,622**	**3,622**	**3,622**
Total equity	**14,156**	**16,908**	**19,158**	**22,325**	**25,853**
Net debt	-4,230	-7,142	-10,724	-17,177	-23,129

Cash flow statement

Year-end Dec 31 (KRWb)	2024	2025	2026E	2027E	2028E
Cash flow from operations	**4,289**	**4,422**	**4,710**	**7,720**	**7,316**
Net profit	1,455	2,928	4,043	5,497	6,105
Non-cash profit and expenses	465	1,637	1,521	1,645	1,045
Depreciation	504	556	587	617	648
Amortization	22	28	38	40	41
Other	-60	1,053	896	988	357
Changes in A/L from operating activities	2,369	-143	-854	578	166
Cash flow from investments	**-1,233**	**-3,604**	**-868**	**-848**	**-848**
Change in tangible assets	-866	-915	-868	-848	-848
Change in financial assets	-2,437	-1,490	0	0	0
Other	2,071	-1,199	0	0	0
Cash flow from financing	**-2,359**	**-792**	**528**	**-260**	**40**
Change in debt	323	-1,630	528	-260	40
Change in equity	140	417	0	0	0
Dividends	-1	-715	0	0	0
Other	-2,821	1,136	0	0	0
Change in cash	699	25	4,370	6,612	6,508
Cash at beginning of year	3,018	3,717	3,742	8,112	14,724
Cash at end of year	3,717	3,742	8,112	14,724	21,231
Gross cash flow	**1,920**	**4,565**	**5,564**	**7,142**	**7,150**
Free cash flow	**3,398**	**3,475**	**3,810**	**6,840**	**6,436**

Financial ratios

Year-end Dec 31	2024	2025	2026E	2027E	2028E
Growth (%)					
Sales	19.9	17.2	11.4	17.1	4.2
Operating profit	408.1	172.3	35.9	32.6	9.1
Net profit	903.6	101.3	38.1	36.0	11.1
Adjusted EPS**	428.8	85.0	45.4	36.0	11.1
Per-share data (KRW)					
EPS (parent-based)	16,565	30,639	44,561	60,584	67,281
EPS (consolidated)	20,553	41,377	57,129	77,672	86,258
Adjusted EPS**	16,565	30,639	44,561	60,584	67,281
BVPS	156,831	187,728	219,519	264,260	314,114
DPS (common)	5,100	12,300	15,000	20,000	22,000
Valuations (x)					
P/E***	28.2	15.3	10.5	7.7	6.9
P/B***	3.0	2.5	2.1	1.8	1.5
EV/EBITDA	16.3	6.6	4.5	2.6	1.7
Ratios (%)					
ROE	11.0	18.9	22.4	26.5	25.3
ROA	3.4	5.7	7.4	8.5	8.1
ROIC	11.8	33.1	36.1	44.1	48.7
Payout ratio	30.8	40.1	33.7	33.0	32.7
Dividend yield (common)	1.1	2.6	3.2	4.3	4.7
Net debt to equity	-29.9	-42.2	-56.0	-76.9	-89.5
Interest coverage (x)	7.0	24.6	58.0	69.7	82.4

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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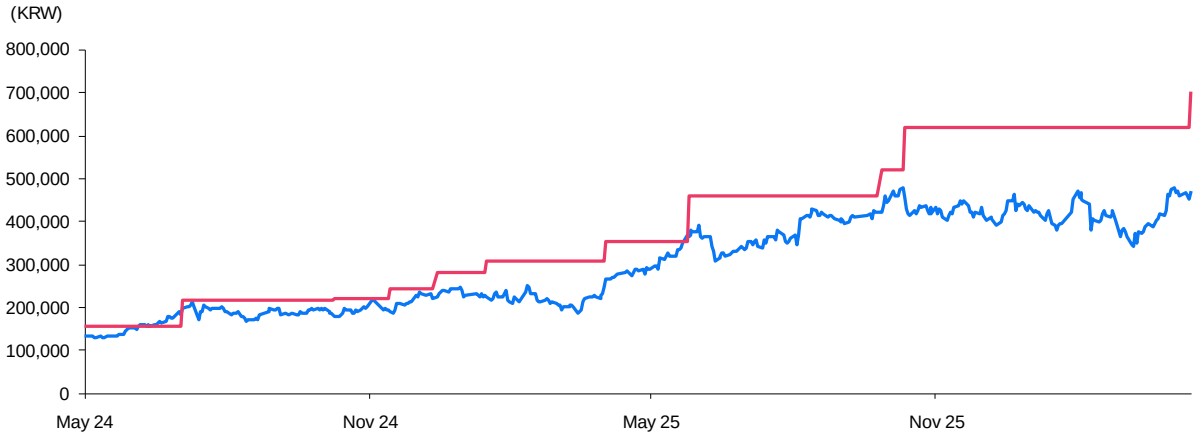
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2023/7/13	2024/7/13	2024/7/26	11/1	12/6	2025/1/6	2/7	4/25	6/17	10/20	11/4	2026/5/8
Recommendation	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	155000	155000	216000	223000	242000	280000	310000	353000	460000	520000	620000	700000
Gap* (average)	-22.90	16.60	-11.83	-11.64	-10.75	-15.81	-29.33	-14.91	-18.45	-11.47	-32.31	
(max or min)**	7.81	22.39	-1.39	-2.91	-2.69	-11.25	-19.03	4.11	-6.85	-7.79	-22.74	

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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Percentage of ratings in 12 months prior to 2026.03.31

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