MARKET STRATEGY

May 2026

Global Investment Strategy Team

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Samsung Securities

Korea stock market outlook and strategy I May 2026 I

Expansion of earnings momentum and re-ratings

EXECUTIVE **SUMMARY**

Korea stock market outlook and strategy for May

Expansion of earnings momentum and re-ratings—global liquidity expansion recovers

In May, the key drivers of the Korean equity market should be: 1) companies' earnings momentum; 2) the potential for firms to re-rate; and 3) the sustainability of the domestic consumption recovery.

In April, the export unit price of semiconductors rose 18% m-m and 29% (vs the 1Q average), reaching or exceeding upwardly-revised 2Q forecasts for the semiconductor sector, suggesting that 2Q profit consensus will be revised up. Given that rising semiconductor demand is being driven by AI, which is enhancing global productivity, the next price-correction phase for the semiconductor industry is likely to be briefer and shallower than those seen in the past. Higher productivity is sustaining global liquidity expansion, which in turn is strengthening the investment capacity of big-tech firms. As a result, the strength of earnings momentum recorded by the AI and financial sectors is likely to remain aligned for the time being. Earnings forecasts for the industrial and materials sectors are also being revised up amid growing demand for AI-related infrastructure. Overall, earnings momentum at global infrastructure (equipment, IT), energy, and power companies remains broadly positive.

If SK Hynix proceeds with its US ADR listing, it could significantly impact the broader Korean market. Given SK Hynix's large weighting in the Kospi, its stock-price appreciation alone could act as a direct index driver. Moreover, the Korean market has historically applied more conservative valuations to high-ROE firms compared to other markets. The ADR listing may serve as a catalyst to alleviate this valuation discount—a development worth closely paying attention to.

Despite the Iran conflict, domestic consumption continued to recover in March. While part of this reflects the low base, wealth effects (stemming from rising equity prices) likely contributed as well. The recovery in domestic consumption is expected to persist over the next several quarters, supported by fiscal expansion—higher tax receipts (thanks to stronger corporate profits) should enable fiscal expansion without additional bond issuances or upwards pressure on interest rates.

The Kospi's 12-month forward ROE rose from 17.4% in March to 19.6% in April. The medium-term sustainable ROE assumption has been raised from 13.7% to 14.8%. Applying a 12-month forward P/B target of 2.2x, we raise our annual Kospi target to 8,400. For May, the Kospi's upper bound is set at 8,400 (based on 10x P/E, a 3% discount to the 20-year average 12-month forward P/E of 10.3x). Our top picks are: Samsung Electronics, SK Hynix, Hanwha Aerospace, Hyosung Heavy Industries, LG Electronics, Korea Investment Holdings, Samsung E&A, GS Holdings, OCI Holdings, and Shinsegae.

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REPORT
CONTENTS

01 **Stock market outlook** p4

02 **Sector strategy** p19

PART

01

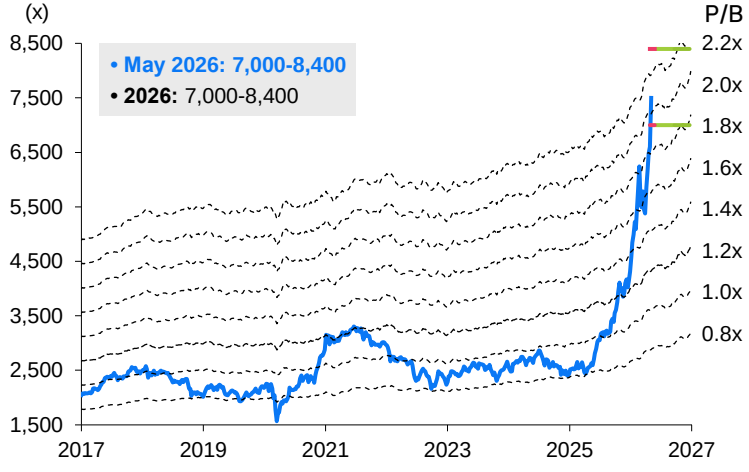
Stock market outlook

Kospi to range 7,000-8,400 in May

▶ Although ROE is similar to that in Taiwan and the US, market is applying Japan-level P/B

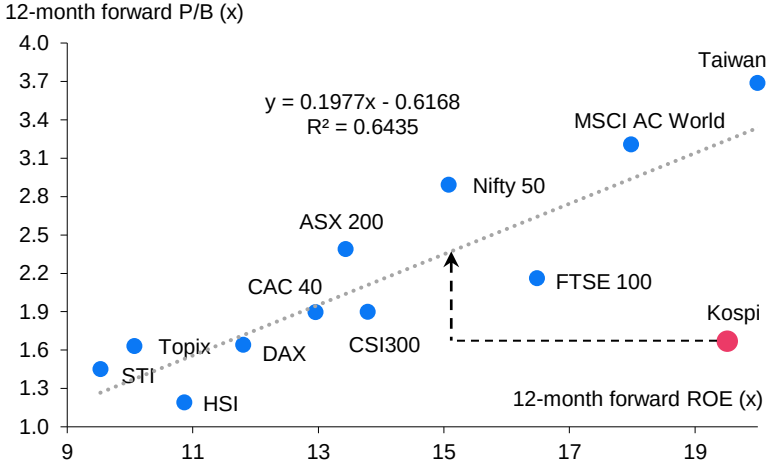
- The Kospi's 12-month forward ROE stood at 21% in April (higher than Taiwan's (20%), highlighting the Kospi's significant undervaluation.
- We set the upper end of our Kospi band estimate for May (to range 7,000-8,400) at 8,400 (based on 10x P/E, a 3% discount to the 20-year average 12-month forward P/E of 10.3x), reflecting that geopolitical risks have not been completely resolved.

Kospi: 2026 outlook



Note: As of Apr 27; Based on 12-month forward
Source: LSEG Workspace, Samsung Securities

Major stock indices: P/B vs ROE



Note: As of Apr 27, S&P 500's ROE was 22.1% and its P/B 4.59x
Source: LSEG Workspace, Samsung Securities

Raising upper end of Kospi's 2026 band to 8,400

▶ The Kospi at 8,400 does not look overly aggressive

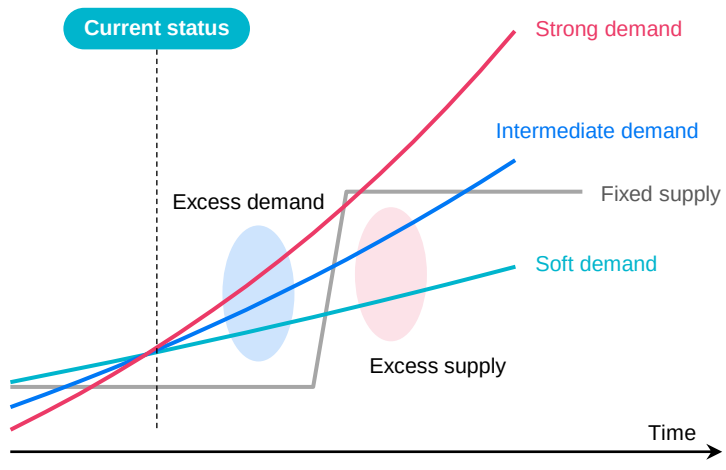
- Our implied target P/E is slightly below the 20-year average of 10.3x.
- Demand for AI-related semiconductors remains strong—excess demand should rise until supply increases in 2H27. Still, a supply glut is not expected to emerge even after this new supply comes online.
- The Iran conflict temporarily dampened semiconductor demand forecasts in March—demand forecasts went from "strong over the next 12 months" to "moderate in 2026". But by end-April, market forecasts had reverted to a strong-demand scenario.

Upward target revision

Assumption	Feb 25	Apr 30
Kospi 200 operating profit consensus (2027, KRWt)	671	1,006
12-month forward ROE (x)	15.8	19.6
Sustainable ROE assumption (%)	12.9	14.8
Applied P/B (x)	2.0	2.2
P/B 1x Kospi	3,600	3,800
Target Kospi (pts)	7,200	8,400
Implied P/E (x)	12.1	10.7

Source: LSEG Workspace, Samsung Securities

Semiconductor supply-demand schematic



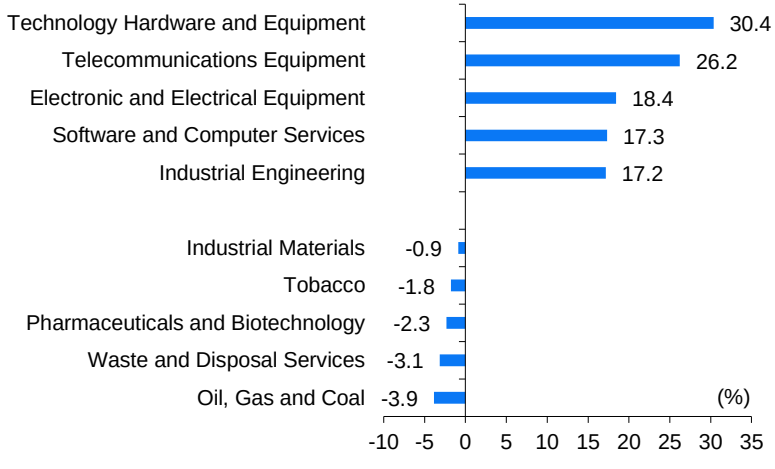
Source: Samsung Securities

April sees rebound in global markets following weakness in March

▶ The rally in US big-tech stocks, which fell in March, powered the rise in global equity indices

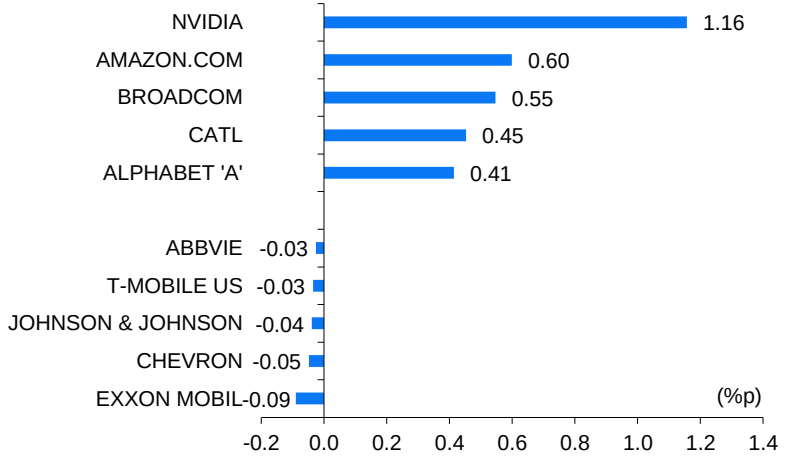
- The top-performing sectors in April were predominantly technology stocks, while defensive sectors (*eg*, energy) underperformed.

MSCI AC World global returns, by industry



Note: As of Apr 27
Source: LSEG Workspace, Samsung Securities

MSCI AC World index's contribution to returns



Note: As of Apr 27
Source: LSEG Workspace, Samsung Securities

Stock markets rebound on hopes of de-escalation of US-Iran tensions

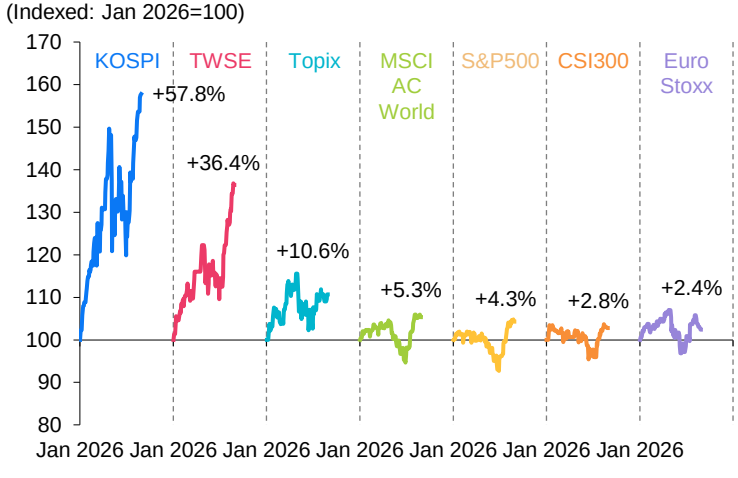
The MSCI AC World Index rebounded in April

- In April, renewed optimism that the US-Iran conflict would be resolved drove a recovery in the MSCI AC World Index, which index rose 9.2% in April (following the announcement of a ceasefire between the US and Iran).

Shrinking Middle East and inflation concerns contributed to US dollar weakening

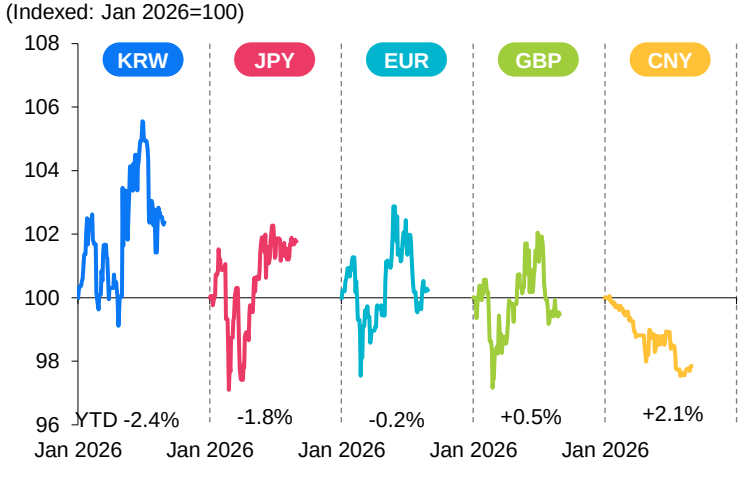
- Against the US dollar in April, the won appreciated 3%, the yen 0.5%, and the euro 1.4%.

Major stock market performance ytd



Note: As of Apr 28
Source: Bloomberg, Samsung Securities

Major currencies vs the US dollar



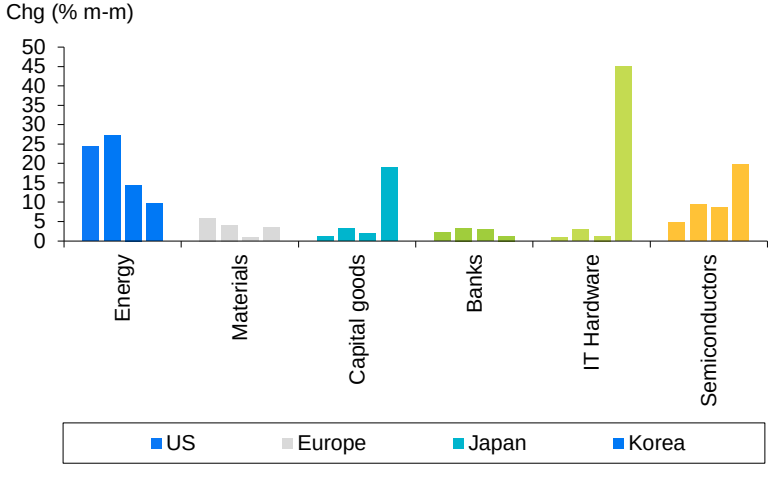
Note: As of Apr 28; above 100 means weakening
Source: Bloomberg, Samsung Securities

Assessment of earnings outlooks and sustainability, by sector

▶ Investors are skeptical about the durability of profit growth for the energy and IT hardware sectors

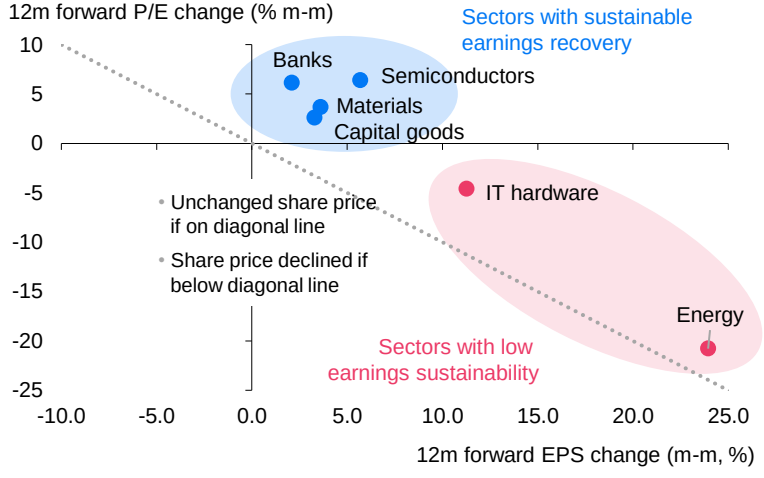
- Six sectors (energy, materials, capital goods, banks, IT hardware, semiconductors) rose in April, and EPS across all four major markets (US, Europe, Japan, and Korea) expanded m-m.
- However, among these six sectors, the IT hardware and energy sectors saw a decline in their forward P/E multiples, indicating that investors view their earnings growth as being less sustainable.
- The compression in energy sector P/E multiples reflects market expectations that oil prices will normalize in the near term.

EPS by sector (m-m change, sectors revised up for all 4 countries)



Source: LSEG, Samsung Securities

EPS, by sector (m-m change)

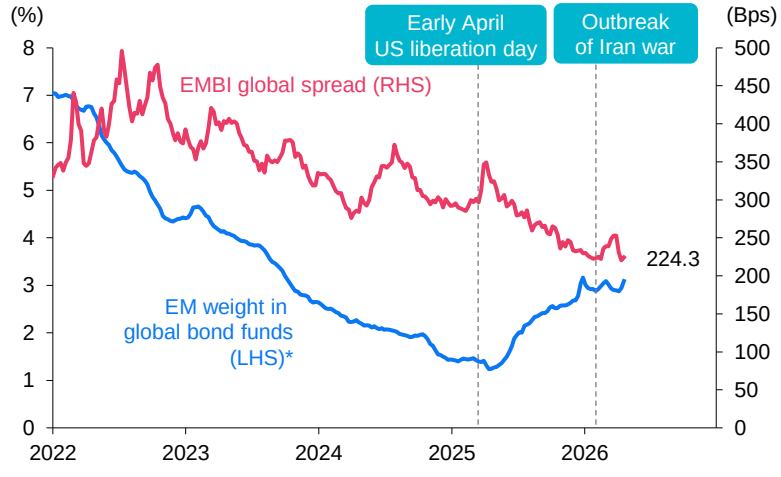


Note: Based on MSCI AC World. Samsung Electronics classified as IT hardware
Source: LSEG, Samsung Securities

AI momentum more powerful market driver than oil

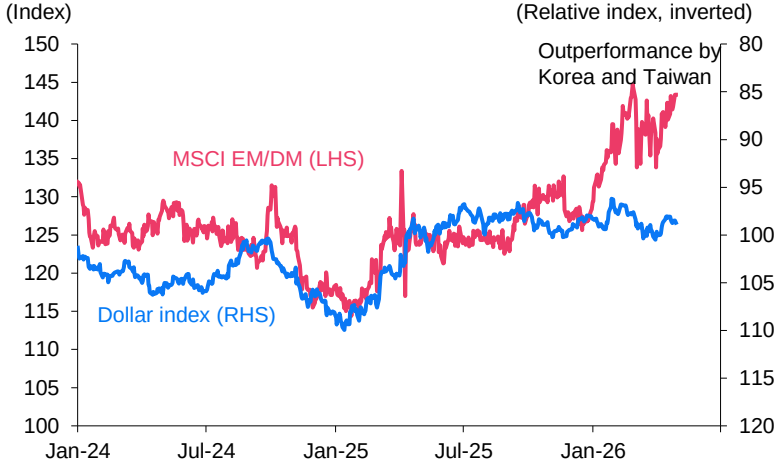
- **But the direction of oil prices should remain critical in shaping trajectories for US and non-US markets**
  - Global capital flows shifted in April, after favoring US assets in March (the first month following the outbreak of conflict), investors pivoted towards EMs.
- **EM stock markets have outperformed the US stock market since April**
  - The strong earnings performance by semiconductor companies in South Korea and Taiwan has been a key contributor to the improvement in EM returns.

EM weight in global bond funds vs EMBI global spread



Note: Based on cumulative fund inflows
Source: Bloomberg, EPFR, Samsung Securities

MSCI EM/DM vs dollar index



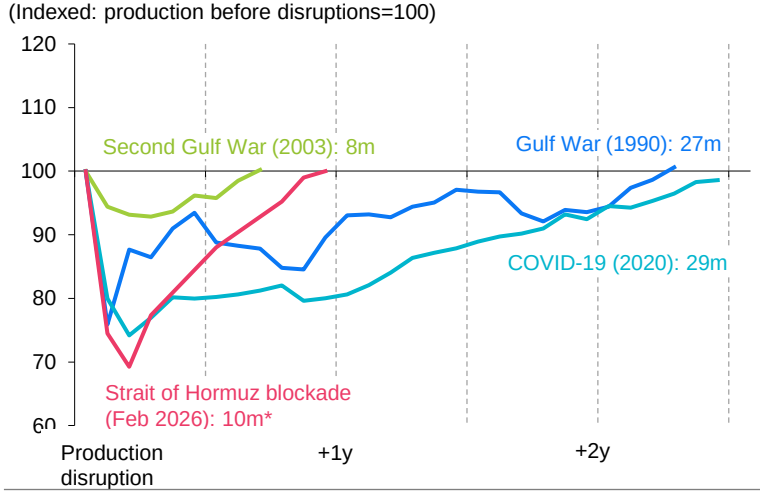
Source: Bloomberg, Samsung Securities

Global oil prices a critical indicator requiring continuous monitoring

▶ If supply disruptions persist, oil prices should stay above USD95/bbl in May

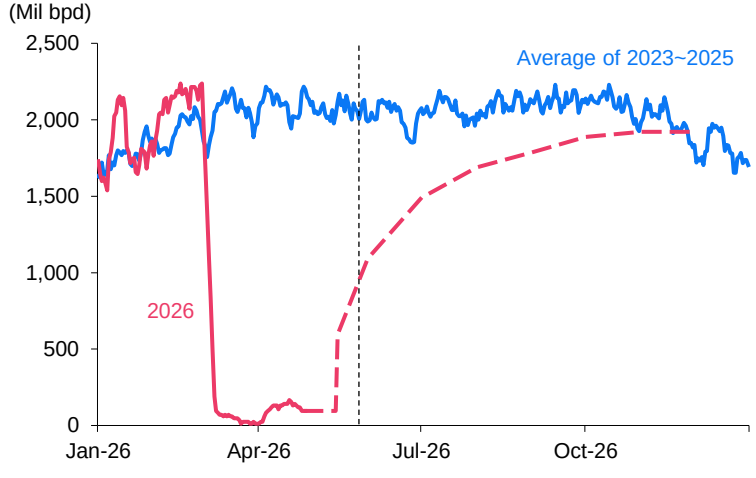
- In the event of the Strait of Hormuz reopening, the average WTI price should decline and stabilize gradually: USD83/bbl in May → USD77/bbl in June → USD70/bbl in July.
- According to our commodities analysts, the energy risk premium has dissipated since the April ceasefire was announced. Oil prices are now trending higher within a floor-supported range, increasingly reflecting underlying physical supply-demand fundamentals rather than geopolitical risks.

Historical periods of disruptions to oil production



Note: * Average of assumption
Source: EIA, Rystard Energy, IEA, Samsung Securities

Volume of traffic through Strait of Hormuz after it was reopened in mid-May

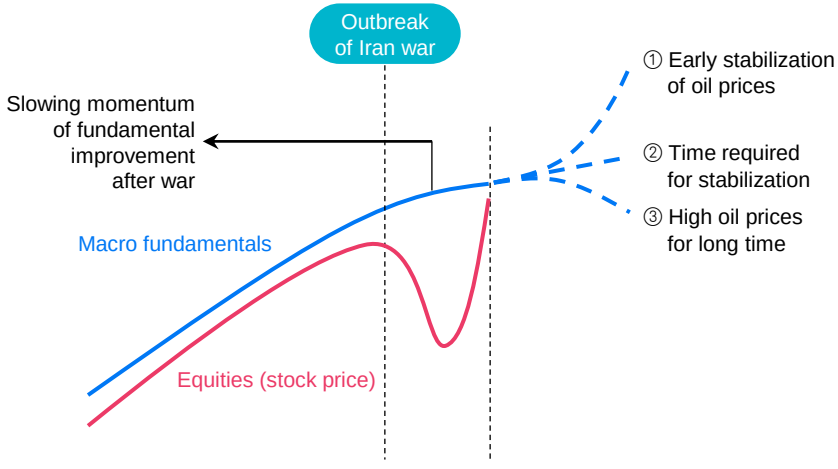


Source: Bloomberg, Samsung Securities

Oil price level after stabilization critical

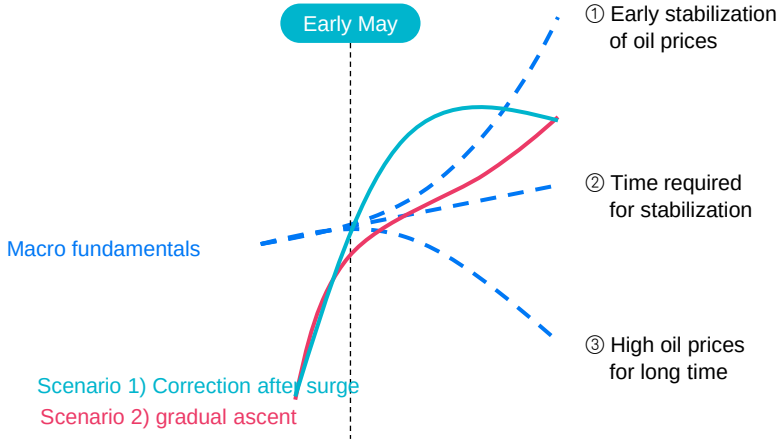
- **While equity markets rose sharply in April, the pace of improvement in global economic fundamentals likely slowed slightly (vs historical norms) following the start of the Iran conflict**
  - Under a scenario where oil prices remain below USD70/bbl, global liquidity should grow 24% *pa*. Each USD10/bbl increase in the price of oil shrinks the pace of global liquidity growth 5.5%pts.
- **If equity price gains persist at the pace seen in April and oil prices fail to stabilize, a market correction by end-1H would remain a possibility**
  - The current situation stands between two scenarios: 1) oil prices stabilizing early; and 2) a prolonged path to oil-price stabilization.

Global macro fundamentals vs global equities



Note: High oil price means Brent crude surpasses USD114/bbl (scenario 3)
Source: Samsung Securities

Scenario of equity market (May)



Source: Samsung Securities

Kevin Warsh's confirmation hearing as next Fed chair aligns with expectations

▶ Kevin Warsh's confirmation hearing was generally aligned with market expectations

- He sought to allay concerns over caving in to President Trump's calls for rate cuts, maintaining a relatively hawkish stance.
- He also signaled caution regarding balance sheet policy, acknowledging market worries about potential liquidity shocks stemming from rapid balance sheet reductions (QT), thereby partially easing those concerns.

▶ Following the hearing, UST yields rose modestly, but overall market reactions were muted

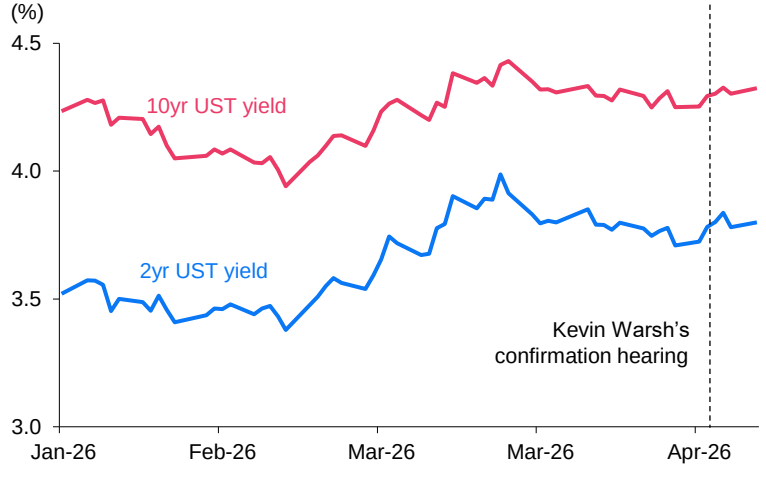
- On the day of the hearing, the 10-yr yield increased 4.1bps to 4.29%, and the 2-yr yield rose 5.9 bps to 3.78%, pricing in a rate-freeze scenario.

Kevin Warsh's confirmation hearing and market interpretations

Areas	Confirmation hearing	Market interpretation
Fed's independence	"The president never once asked me to commit to any particular interest rate decision"	Upholding independence against rate-cut pressure
Policies	"Committed to maintaining a strictly independent conduct of monetary policy"	Maximum contribution to the Fed's mandate of price stability
Inflation	"Focus on underlying inflation rather than just core PCE"	Rate-cut possibility by using underlying inflation data (which is lower than core PCE data)
Interest rates	"Any adjustment to the balance sheet will be conducted slowly and deliberately, ensuring we do not disrupt market liquidity"	Diminished possibility of short-term rate cuts

Source: Media reports, Samsung Securities

Trend of US treasury yields following the confirmation hearing

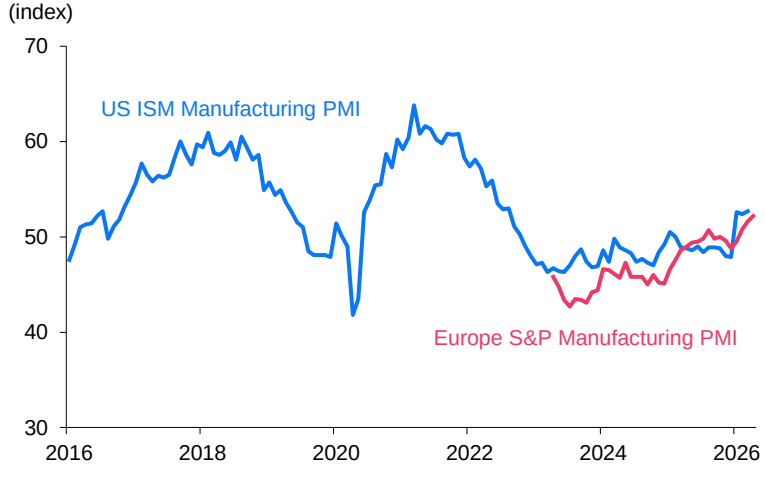


Source: Bloomberg, Samsung Securities

DMs: Recovery continues, inflation still in focus

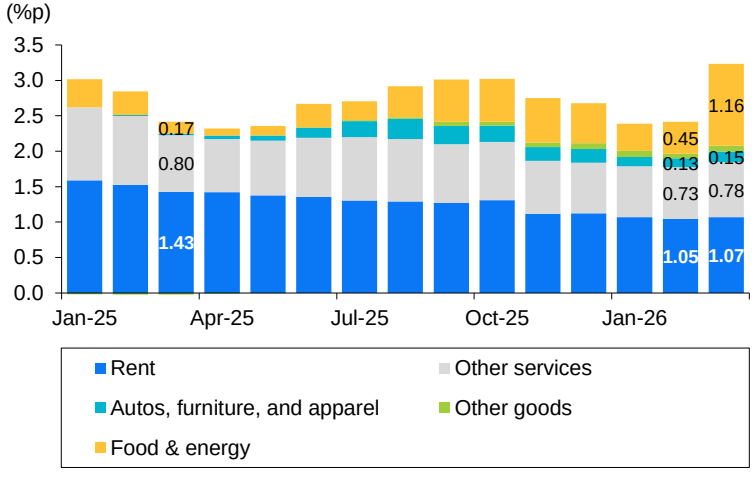
- **Manufacturing PMIs have improved, which is positive for cyclical sectors (*eg*, industrial goods and materials)**
- **Inflation remains a key point to watch**
  - The US CPI rose 3.3% y-y in March, driven by higher energy prices.
  - Core CPI increased 2.6% y-y, remaining within manageable bounds. However, high oil prices may gradually spill over into categories other than energy.

PMI: US vs Europe



Source: Bloomberg, Samsung Securities

US CPI



Source: Bloomberg, Samsung Securities

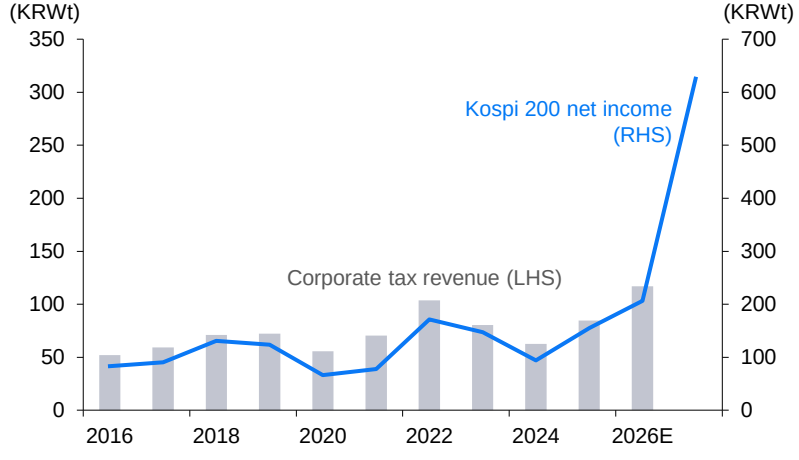
(Korea) Growing corporate earnings to fuel stimulus spending

▶ Stronger corporate earnings should translate into higher tax revenue, supporting domestic stimulus measures without triggering interest-rate shocks

- Kospi 200 constituents are on track to log more than KRW40t in net profit growth in 2026.
- However, this profit expansion may not uniformly occur among private firms, so tax revenue may not expand as much as it did in the past.
- Nevertheless, proposed supplementary budgets appear feasible without the need to issue additional sovereign bonds.

▶ Wage growth and rising dividends should also add to consumer spending power

Corporate tax revenue vs Kospi 200 net income



Note: Comparison of the current year's corporate tax revenue with the previous year's corporate net profit.
Source: KOSTAT, Samsung Securities

Korea: Major economic indicators

	(KRWt)
Korea nominal GDP (2024)	2,557
Central government budget (2025)	673
Seoul city budget (2025)	50
Gyeonggi province budget (2025)	40
2025 1st supplementary budget	14

Source: BOK, media reports, Samsung Securities

Share buybacks in April

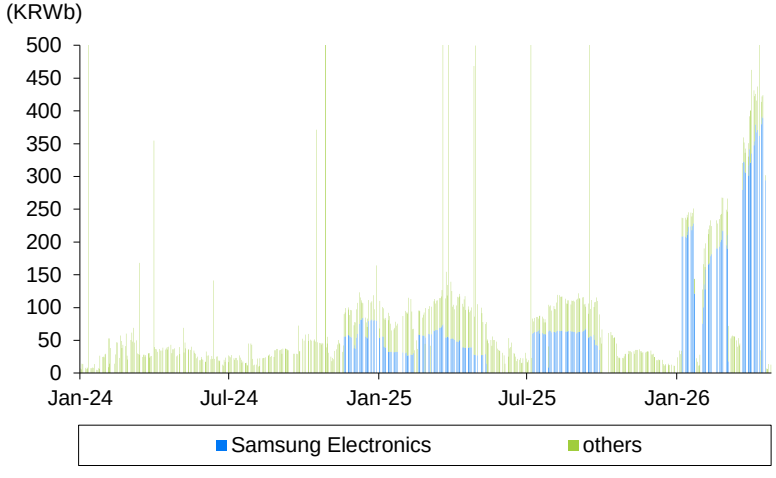
▶ Apr 2026 likely saw record share buybacks

- Samsung Electronics and Doosan Enerbility carried out share buybacks for their employee incentive programs.

▶ We advise focusing on the companies that are buying back their shares and trading at attractive valuations

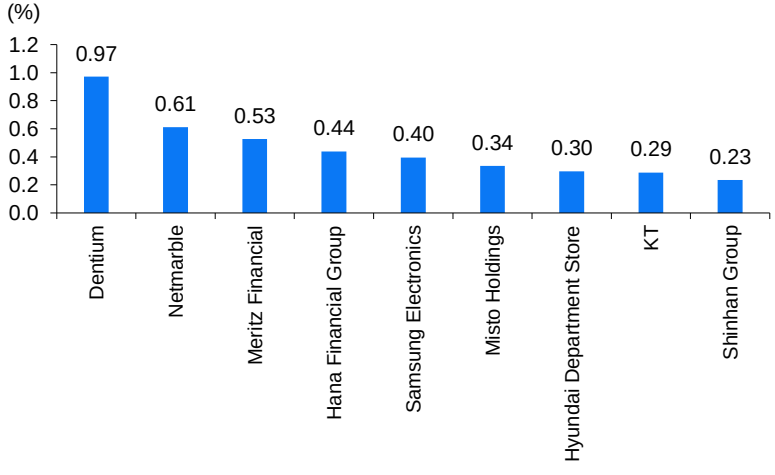
- Dentium, Meritz Financial Group, and Misto Holdings fit the bill.

Kospi 200 buyback assumptions



Note: As of Apr 28
Source: Quantiwise, Samsung Securities

April buybacks as portion of firms' market capitalization

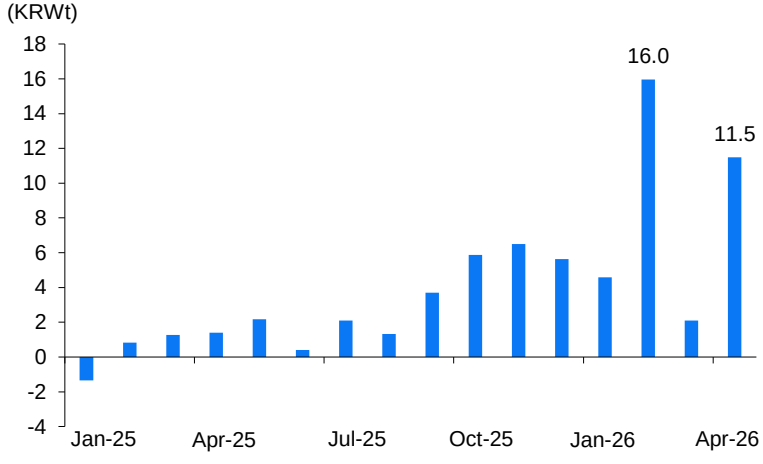


Note: Cumulative figures over Apr 1~27
Source: Quantiwise, Samsung Securities assumption

Korean equities: Supply-demand dynamics dominated by retail and ETFs

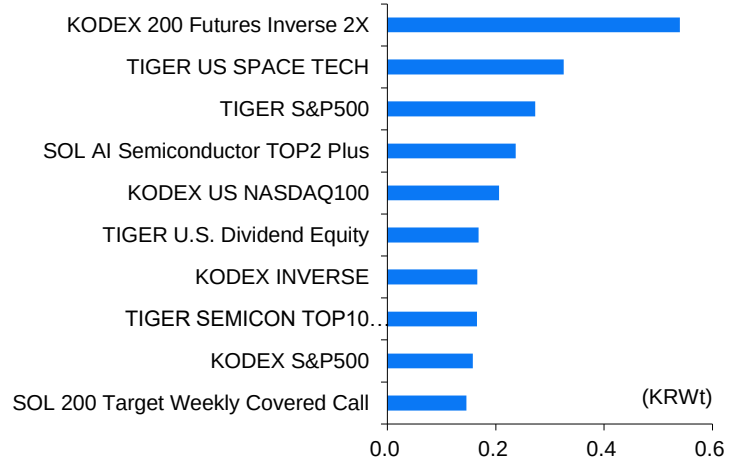
- **Net buying by financial institutions, which purchases slowed following the start of the Iran conflict, resumed in earnest in April**
- **Retail-driven ETF buying cooled slightly**
  - State-of-the-art technologies (*eg*, space, AI-related power, and semiconductors) began to draw investor attention again.

Monthly net purchases by financial institutions



Note: Apr 2026 is over Apr 1~27
Source: Quantiwise, Samsung Securities assumption

ETFs with high retail net purchases



Source: Quantiwise, Samsung Securities

Potential impact of global IPOs in 2H26

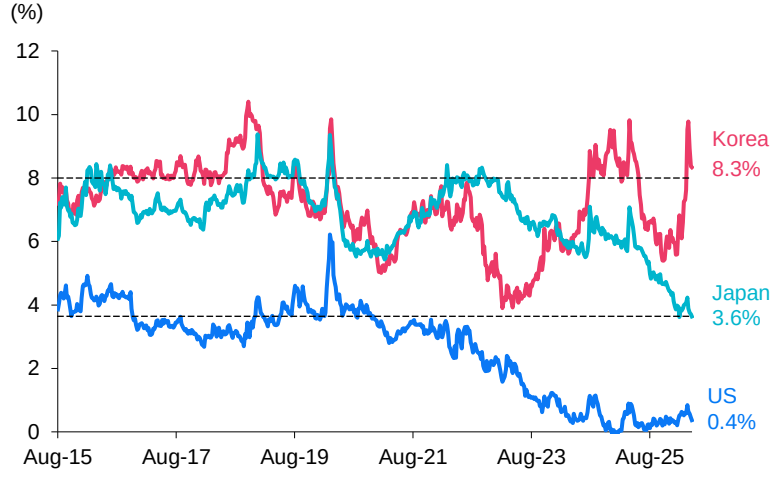
- **Mega IPOs like SpaceX could influence market valuations and liquidity**
  - Many major US companies that are set to go public are still unprofitable, raising the risk of broader market valuation expansion.
  - The US equity yield gap may narrow 0.2%pts—watch closely for whether the figure turns negative.
- **Korean firms will likely: 1) benefit if the company being listed is their customer; and 2) suffer if the company being listed is their competitor**

Major global IPO candidates

Corporation	Sector	Expected listing period*
SpaceX	Aerospace / Satellite internet	June/July 2026
OpenAI	AI foundation model	4Q26
Anthropic	B2B-specific generative AI	Oct 2026
CXMT	Semiconductor (DRAM/HBM)	1H26
Stripe	Global payment infra	1H26
Databricks	AI software	2026
Revolut	Digital banking / Fintech	2026

Note: *Actual timing may change
Source: Media report. Samsung Securities

Yield gap: Korea, US, and Japan



Note: Subtracting the 10yr UST yield from the 12-month forward P/E
Source: Media report. Samsung Securities

PART

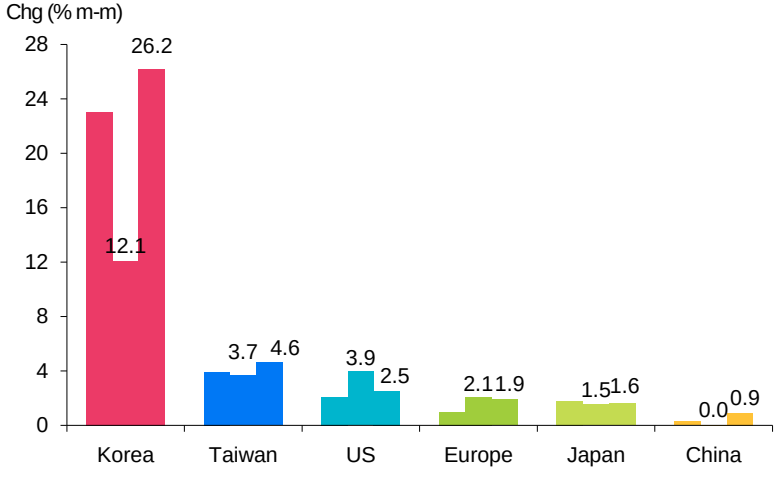
02

Sector strategy

Korea's earnings momentum outshining global peers

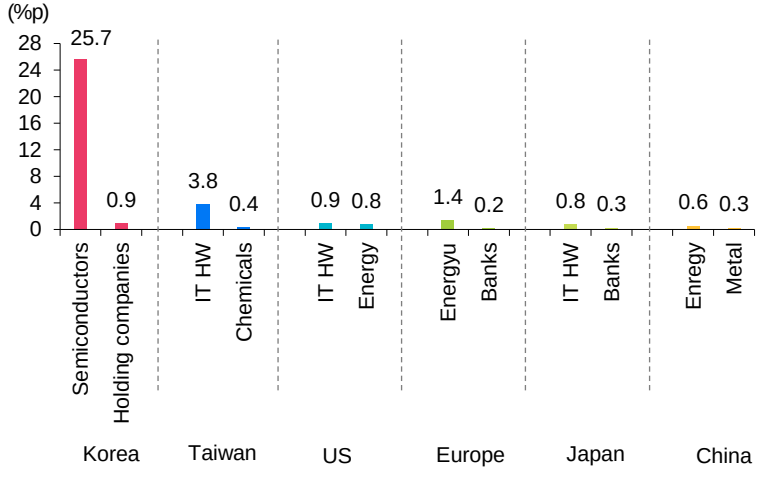
- **Korea's earnings momentum is much stronger than its global peers', and this domestic momentum is being led by the semiconductor and IT hardware sectors**
  - Earnings estimates for most other markets (excluding China) have been revised up by more than 1% m-m.
- **Rising oil and metal prices are also supporting earnings momentum in Europe, China, and the US**

Major markets: Changes to 12M fwd EPS forecasts (forecasts made in Feb, Mar, and Apr 2026)



Note: As of Feb 20; Calculated for profitable companies listed on Kospi 200 (Korea), S&P500 (US) MSCI Europe (Europe), Nikkei225 (Japan), Taiwan weighted Index (Taiwan), CSI 300 Index (China)
Source: LSEG Workspace, QuantiWise, Samsung Securities

Sector contributions to 12M forward EPS revisions, by country (Apr 2026)



Note: The total in the right chart explains the February figures in the left chart. The difference is due to other industries
Source: LSEG Workspace, QuantiWise, Samsung Securities

Earnings forecasts raised again

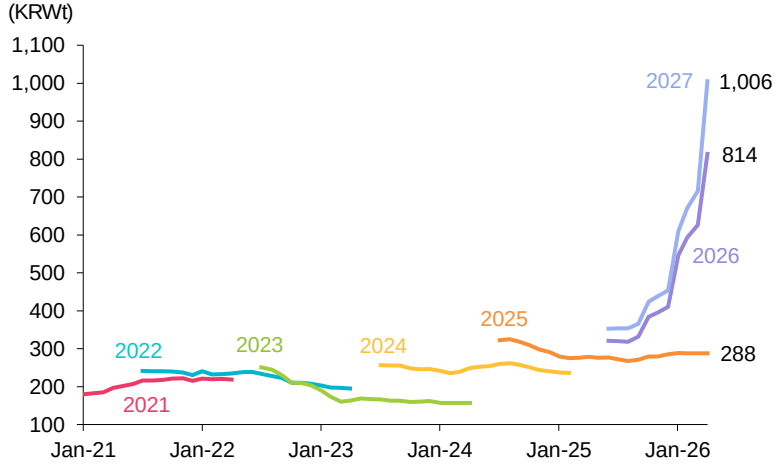
▶2027 operating profit outlook—positive

- The average 2027 operating profit forecast for Kospi 200 companies is 24% higher than the 2026 estimate.
- Of the earnings increase estimate of KRW195t, 78% (or KRW152t) can be explained by the semiconductor industry.

▶However, operating profit growth should also be seen across many sectors (*eg*, capital goods, materials, electronics, electrical equipment, and auto)

- The only exception should be the securities sector, whose earnings are set to decline to KRW14.3t in 2027 (vs KRW15t in 2026).

Kospi 200: Consensus operating profit, by year



Note: As of Apr 27
Source: Quantiwise, Samsung Securities

Top-10 sectors contributing to operating profit growth in 2027

Rank	Company	Operating profit (KRWt)		Change	
		2026	2027E	(KRWt)	(%)
1	Semiconductors	552.3	703.8	151.5	27.4
2	Capital goods	85.6	101.8	16.1	18.9
3	Materials	9.4	14.6	5.2	55.9
4	Electronics & electrical appliances	4.5	9.6	5.1	112.9
5	Auto	31.3	34.7	3.4	10.9
6	Utilities	16.3	18.6	2.2	13.6
7	Banks	34.2	36.2	2.0	5.8
8	Energy	13.9	15.8	1.9	14.0
9	Transportation	5.0	6.4	1.4	28.3
10	Healthcare	5.8	7.0	1.2	20.2

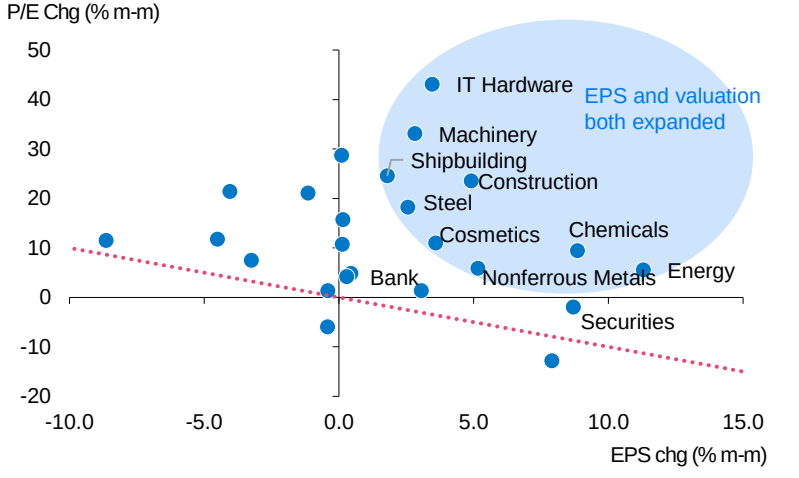
Note: As of Apr 27, based on WI 26
Source: Quantiwise, Samsung Securities

Earnings momentum to include indirect beneficiaries of AI boom

While most sectors rallied in April, only half of them saw an actual improvement in earnings momentum

- The strongest gains occurred for the capital goods and materials sectors, clearly benefiting from AI-driven demand.
- With liquidity supporting both AI innovation and earnings in the financial sector, the potential for valuation expansion for financial services remains high.

EPS, P/E expansion momentum



Note: Over Apr 1-27
Source: Quantiwise, Samsung Securities

AI-related themes and industries

Sort	Industries indirectly benefiting from AI
Infra capex	Power facilities, data center construction, industrial engines
Electrics, engines, ESS	Emergency generators, industrial engines, ESS, EMS
Process, equipment	Semiconductor front-end and back-end process equipment, materials, and components
B2B IT infra	Servers, storage, networks, security, cloud
Improvement in productivity	Manufacturing automation, robots, logistics, warehousing, BPO
Energy, electrics	Power generation (nuclear, gas, renewables), transmission and distribution, power IT

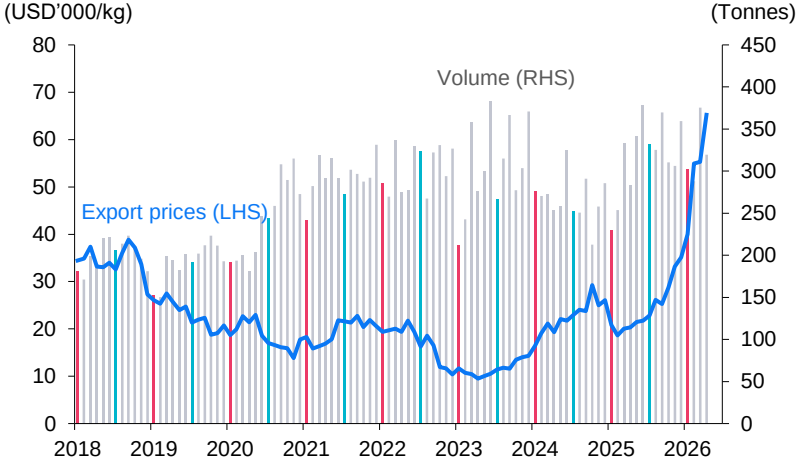
Source: Samsung Securities

Semiconductor: Chip export prices helping offset pressure from elevated consensus

▶ Rapid hike in earnings consensus might seem worrying, but with semiconductor export prices rising, it is more of an opportunity than a risk

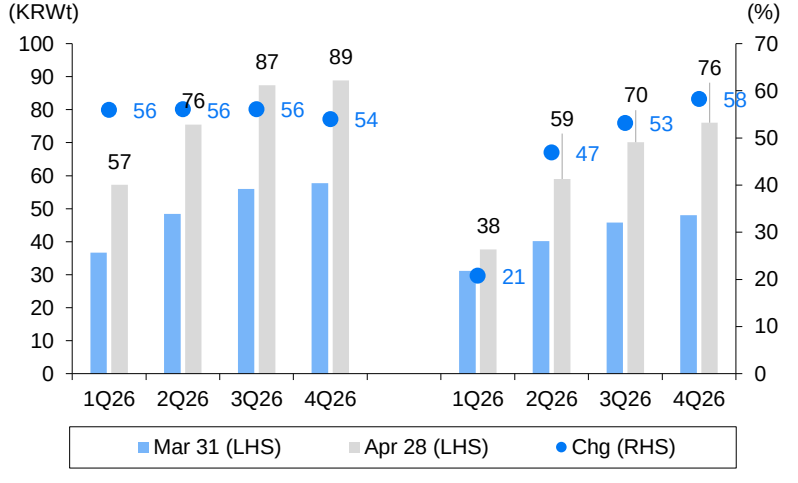
- Semiconductor export prices in April were 29% higher than the 1Q average and they rose18% m-m.
- Consensus for semiconductor companies still has room to rise (particularly in 2H).
- Because semiconductor demand is being driven by AI (which is itself improving productivity), semiconductor prices during the next downturn are likely to fall more briefly and shallower than during past downturns.

Korea: Memory semiconductor exports



Note: As of Apr 2026
Source: KITA, Samsung Securities

Operating profit consensus changes for SEC and SK Hynix

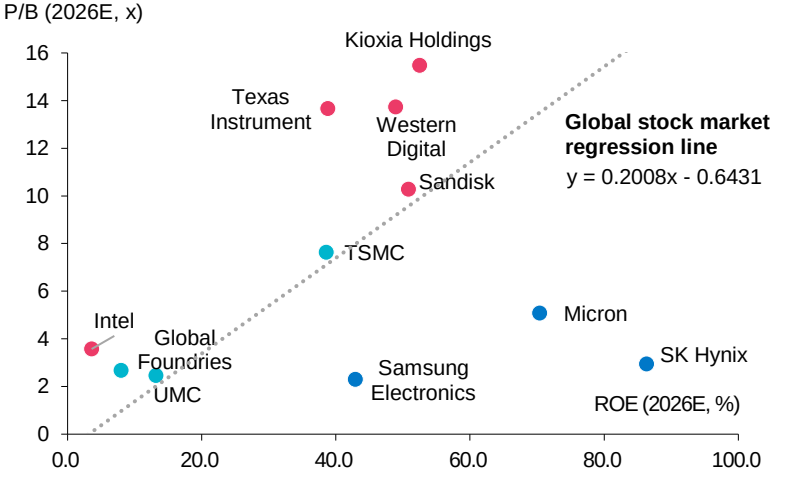


Note: As of Apr 28 (actual 1Q26 numbers)
Source: Quantiwise, Samsung Securities

Semiconductor: Supply-demand dynamics to improve, driving valuation re-rating

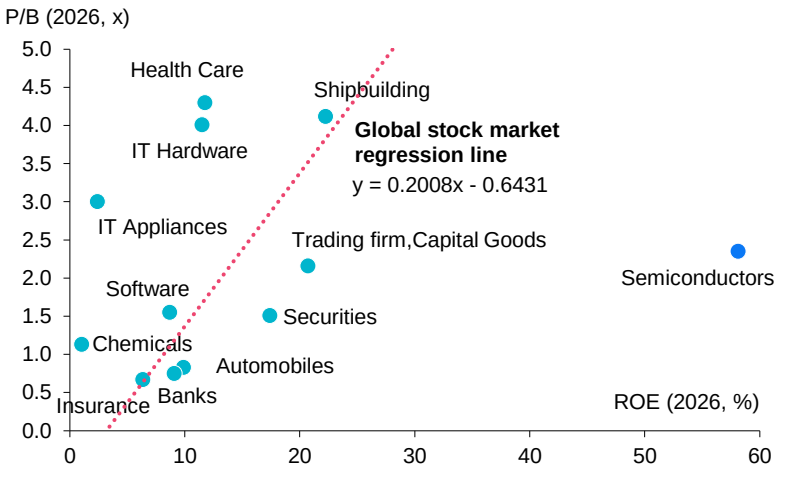
- **SK Hynix's (accounting for around 16% of Kospi's market cap) ADR listing to impact Kospi as a whole**
  - The low valuation of DRAM manufacturers cannot be attributed solely to their cyclical sensitivity…
  - …as other global semiconductor firms (including NAND producers) are trading at higher multiples than other industries.
- **Whether single-product leveraged ETFs could contribute to a valuation re-rating for the Korean semiconductor sector (which is undervalued vs the sector in other nations) warrants attention**

ROE and P/B (semiconductors companies)



Note: As of Apr 27
Source: Quantiwise, Samsung Securities

Major sector valuation



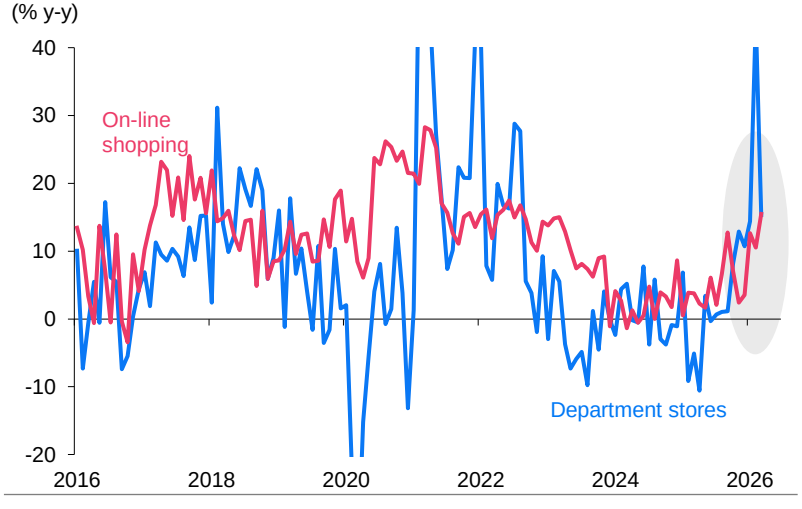
Source: Quantiwise, Samsung Securities

Retail: Sustainability of domestic consumption recovery

▶ Korea's retail sales recovery is likely to continue

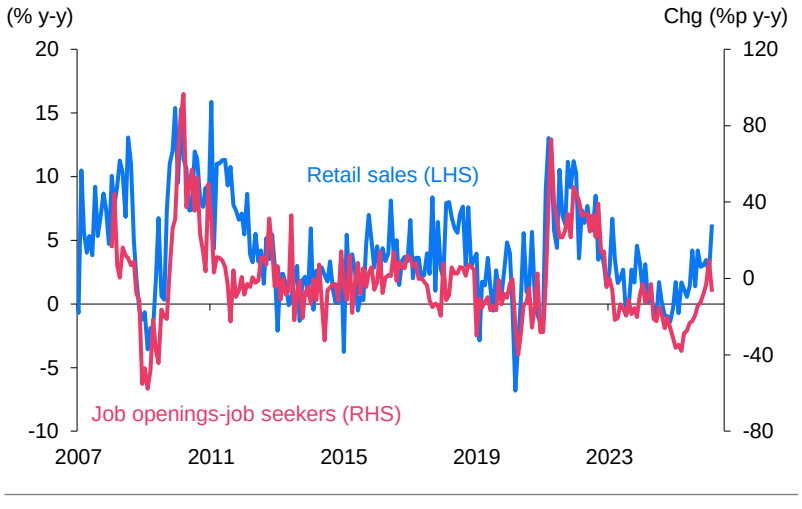
- Card spending at department stores and online appears to be growing solidly, despite the Iran conflict (March).
- Labor market conditions are also improving in 1H, supported by the low base.

Card payment estimates



Note: As of Mar 2026
Source: Hankyung Aicel, Samsung Securities

Korea retail sales and the job market



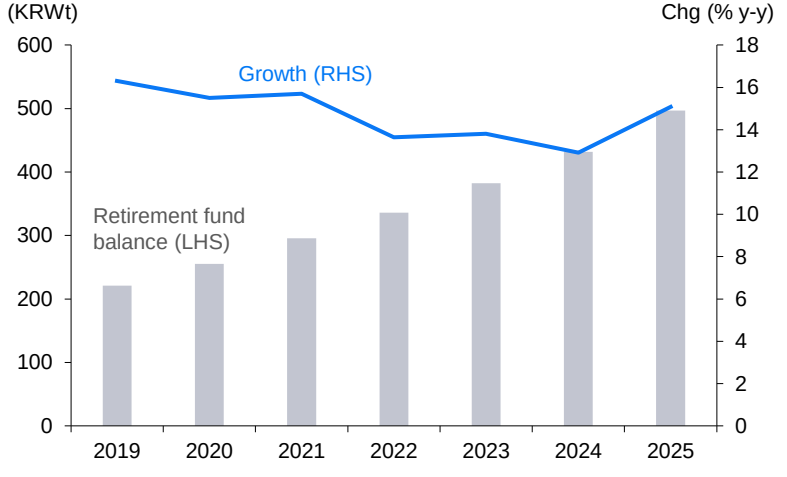
Source: NSO, Samsung Securities

Securities brokers: Structural flows from retirement funds into stock market

▶ Sustained fund flows into performance-based financial instruments—regardless of the state of the economic cycle—should support stable demand for equities

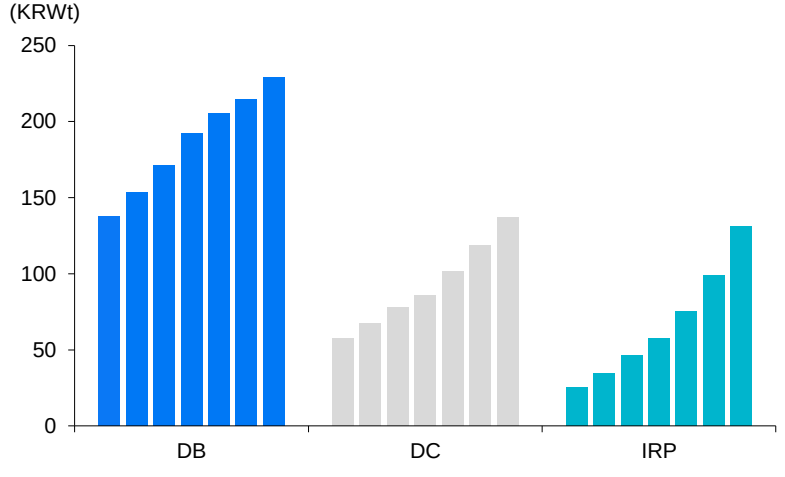
- Defined benefit (DB) and individual retirement pension (IRP) plans are accounting for a larger slice of the domestic equity market, driving demand for asset management services.
- As of 1Q26, 70% of total retirement savings remained in principal-guaranteed products.

Retirement fund balance



Source: FSS, Samsung Securities

Retirement fund balance, by type (2019-2025)



Source: FSS, Samsung Securities

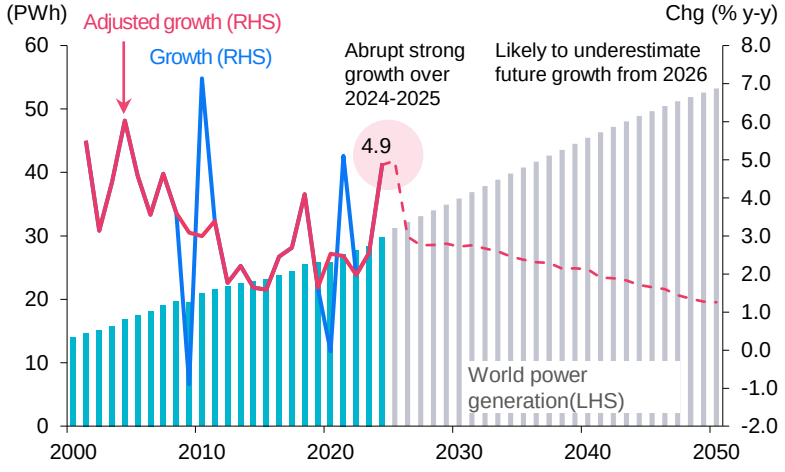
Power equipment: Power demand momentum stronger in DMs

▶ Electricity demand is surging, yet some forecasters are maintaining conservative projections

▶ AI-driven demand growth is stronger in DMs than in EMs

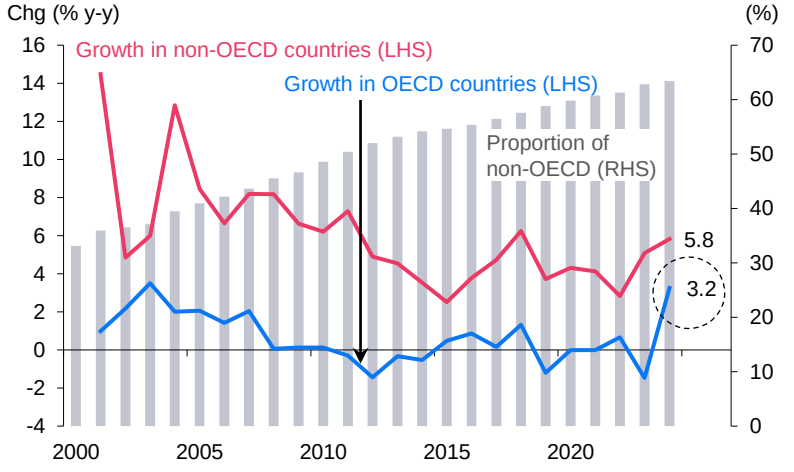
- The momentum gap could widen further if manufacturing is also automated in DMs.

World power generation



Note: The red line represents the growth rate calculated by adjusting the power production for 2009 and 2020 to the average of the previous and the next years
Source: BNEF, Samsung Securities

Power generation growth (OECD vs non-OECD)



Note: Calculated by correcting the power production in 2009 and 2020 with the average of the preceding and following years. Korea is one of MSCI emerging markets, but OECD countries
Source: BNEF, Samsung Securities

Refining: Be ready for wider spreads for prolonged period

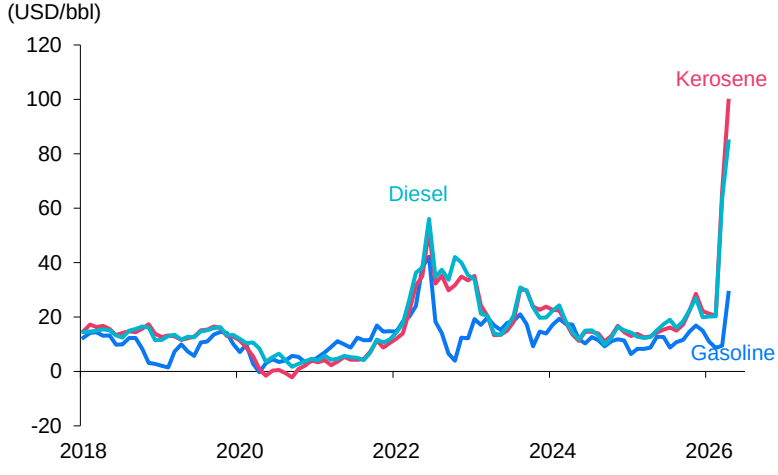
While short-term procurement risk exists, spread expansion is positive

- In late March, kerosene and diesel spreads (vs Dubai crude) reached levels similar to those seen at their Jun 2022 peaks. But they have now significantly surpassed that level.
- Even if crude prices normalize, damaged global refining infrastructure could keep spreads wide for a long time.

At GS Holdings, earnings improvement in a given year influences shareholder returns for three years

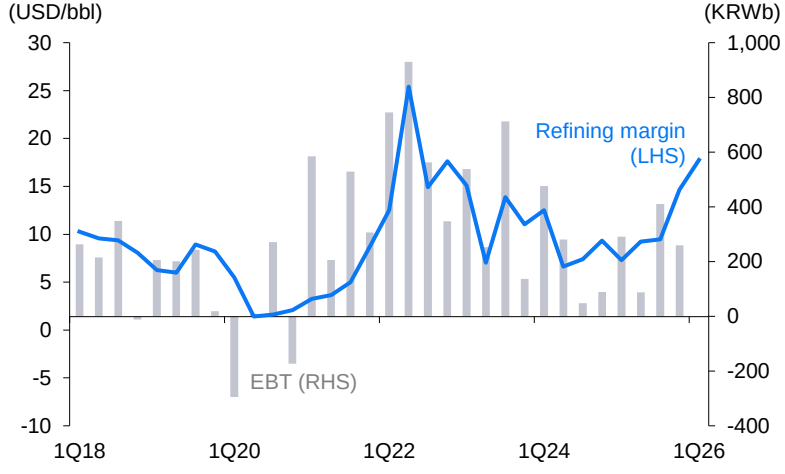
- GS Holdings' shareholder return policy ties payouts to its three-year average net profit (excluding one-time non-recurring gains), returning over 40% of its net profit as dividends.

Dubai oil spread for refined products



Note: As of Apr 29
Source: Bloomberg, Samsung Securities

Complex refining margin vs earnings before tax (GS Holdings)



Source: Quantiwise, Bloomberg, Samsung Securities

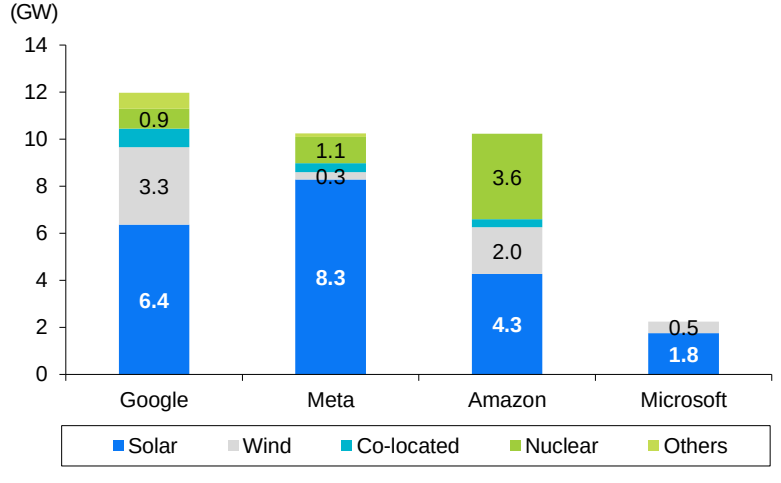
Renewable energy: Rising oil prices a tailwind for renewable energy

- **Sustained high oil prices should keep attention on firms benefiting from rising prices of alternative energy**
- **As SpaceX's IPO draws closer, interest in solar energy is likely to remain elevated**
  - Tesla's expansion into solar energy should require significant increases in US solar panel production capacity within the next three years—a development that is positive for OCI Holdings.

Tesla: Solar roof sold in the US

Source: Tesla, Samsung Securities

Hyper-scalers' clean energy purchase



Note: Based on publicly announced PPA. * Combinations of data center and clean energy such as solar, wind, ESS etc.
Source: BNEF, Samsung Securities

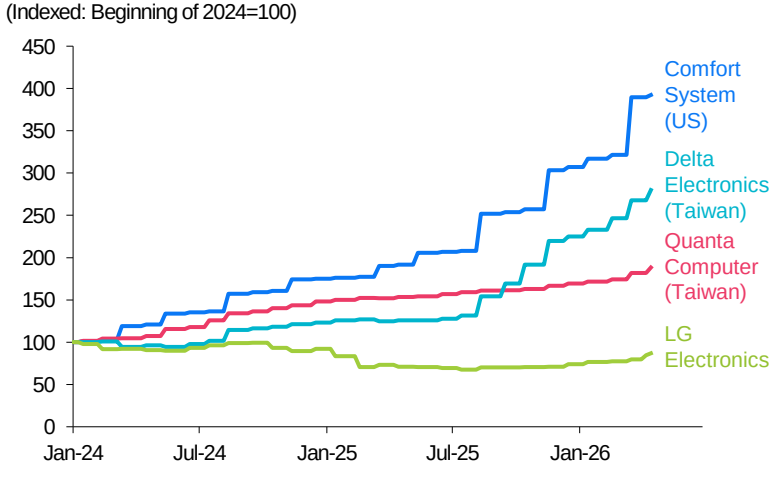
IT infrastructure: Potential for valuation premium

Earnings forecasts for AI-related infrastructure companies are being raised

- Comfort Systems USA, which delivers end-to-end mechanical, electrical, and plumbing (MEP) solutions—from design and construction to operations—is seeing its earnings grow.
- Delta Electronics (Taiwan) is a B2B equipment provider offering automation solutions for industrial, building, and energy infrastructure, alongside power and thermal management—similar to LS Electric.

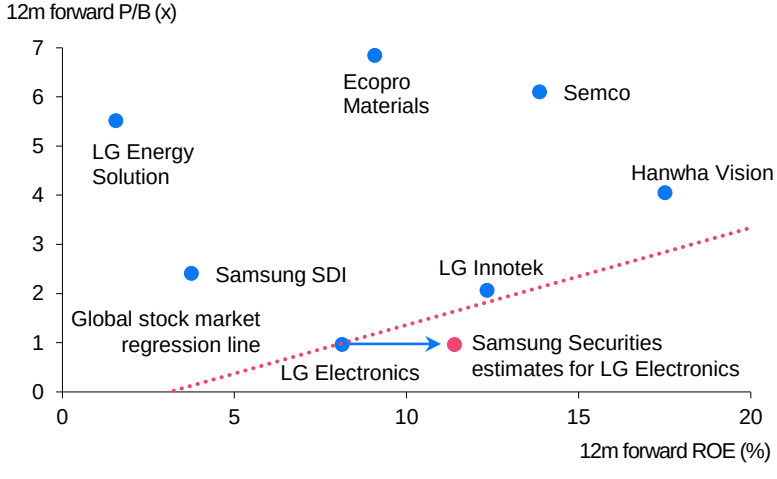
LG Electronics is well-positioned to grow its infra businesses, particularly its HVAC and data center cooling businesses.

IT infrastructure companies: 12-month net profit forecasts



Source: LSEG, Samsung Securities

Valuation for IT hardware, IT home appliances companies



Source: Quantiwise, Samsung Securities

May 2026: Top-10 picks

Sector	Company	Ticker	Price (KRW)		Market cap	Valuations (%)				
			Now	Target	(KRWt)	P/E (x)	P/B (x)	EPS growth	ROE	Div yield
IT	Samsung Electronics	005930 KS	226,000	230,000	1321.3	5.6	2.0	507.1	35.3	1.3
	SK Hynix	000660 KS	1,293,000	1,300,000	921.5	4.2	2.2	395.1	53.3	0.4
	LG Electronics	066570 KS	135,800	170,000	22.1	13.3	1.0	13.4	7.1	1.1
Consumer Discretionary	Shinsegae	004170 KS	406,500	485,000	3.8	13.6	0.8	160.0	5.5	1.3
Financials	Korea Investment Holdings	071050 KS	249,000	270,000	13.9	6.8	1.0	8.3	15.3	3.9
Industrials	Hanwha Aerospace	012450 KS	1,420,000	1,450,000	73.2	28.7	5.7	48.1	20.0	0.5
	Hyosung Heavy Industries	298040 KS	3,982,000	3,030,000	37.1	40.8	10.8	63.3	26.6	0.3
	Samsung E&A	028050 KS	54,300	39,000	10.6	14.2	1.9	17.2	13.5	1.6
Materials	OCI Holdings	010060 KS	371,500	380,000	6.9	25.9	1.7	TTP	6.4	0.4
Energy	GS	078930 KS	82,100	-	7.6	8.4	0.5	22.5	5.9	4.2

Note: As of Apr 29 2026
Source: QuantiWise, Samsung Securities

May 2026 sector-by-sector overview ①

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Semiconductors**	Jongwook Lee	Demand for semiconductors is expanding beyond AI training to inference and agentic AI systems. As AI agents generate increasingly large volumes of KV cache (intermediate data), overall system memory demand—spanning HBM, server DRAM, and eSSD—is rising sharply. Meanwhile, memory efficiency technologies are creating a self-reinforcing cycle. Greater efficiency enables broader AI adoption, which in turn drives up demand for memory. While memory chipmakers are raising their capex, near-term capacity growth remains constrained. In this tight-supply environment, customers are prioritizing reliable supply over cost, and favorable pricing conditions are expected to persist over the long term. Samsung Electronics holds distinct advantages: 1) it faces fewer long-term agreement (LTA) constraints, granting it greater pricing flexibility; 2) it is well-positioned to lift its market share in the HBM segment; and 3) it holds the largest production capacity among its peers.	Samsung electronics
	Semiconductor materials, parts, and equipment	Richard Moon	Expanding semiconductor investments are keeping alive expectations of multi-year profit growth at semiconductor materials, parts, and equipment suppliers. Capacity expansion projects originally planned for 2026-2028 are being brought forward. There may be a timing gap between when customers make investment decisions and when materials, parts, and equipment suppliers see the impact of this on their sales—but their sales growth is likely to rise step-by-step from 2Q. Even with the projected high base (2026 earnings), strong growth is likely through end-2027. Although these companies are already trading at a premium (vs their past valuations), expectations of rapidly-rising profits are still strong enough to support continued momentum. Investors are likely to pay more attention to companies with promising new products and lower valuations.	TES, Soulbrain
	Tech/ IT components	Jongwook Lee	① IT set shipment forecasts for 2026 are being revised down due to higher semiconductor costs (which are driving up end-product prices). However, demand remains strong for MLCCs that are used in AI servers and automotive electronics. Murata has announced price hikes for MLCCs used in AI servers and high-end automotive electronics, fueling expectations of higher MLCC ASPs and prompting upward revisions to operating profit forecasts. If the current supply shortage extends to lower-priced MLCCs (which are used in IT applications), price increases could become industry-wide. ② Rising demand for AI GPUs is worsening the shortage of multilayer FC-BGA. Major suppliers like Ibiden and Zhen Ding have approved capacity expansions, but this new capacity is unlikely to come online before 2027. That means the shortages should grow in 2026, keeping FC-BGA prices on an uptrend. Samsung Electro-Mechanics (Semco) stands to benefit from both of these trends (rising prices of MLCC and FC-BGA), making it more likely that operating profit consensus will be lifted.	Samsung Electro-Mechanics

Source: Samsung Securities

May 2026 sector-by-sector overview ②

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Autos**	Esther Yim	With global auto demand having stalled, automakers that fail to embrace physical AI are likely to see their earnings stall. The key to choosing where to invest is capital and execution. Hyundai Motor Group has: 1) solid profit (vs its peers'); 2) plans to build data centers; 3) AI partnerships with Nvidia and Google DeepMind; and 3) manufacturing expertise plus real-world data collection. To prove itself, HMG needs to clearly define roles for each subsidiary and raise its long-term robot sales targets. The impact of the Iran conflict-driven raw-material price rises should be felt in earnest from 2Q. For automakers, raw-material costs are 13-14% of their sales. However, if the won weakens and the automakers' sales volume holds steady, the currency depreciation impact could offset the higher raw-material costs.	Hyundai Mobis, SL
	Rechargeable Batteries	Junghoon Chang	US EV sales have remained sluggish as expected, while ESS projects continue to expand steadily, sustaining expectations for improved profitability at Korean firms through rising AMPCs. In contrast, the European EV market has shown robust sales growth. Recently, Mercedes-Benz formally signed a battery supply agreement with Samsung SDI, raising expectations that European EV manufacturers—historically reliant on pouch cells and Chinese supply chains—may alter their procurement strategies. Meanwhile, renewed concerns over mining permits in China's lithium-rich regions pushed lithium prices back to their ytd highs in April, creating the potential for further price increases along metal-linked supply chains. Separately, recent valuations across the rechargeable battery value chain have tended to move independently of fundamental developments, driven by abundant liquidity in equity markets (the rechargeable battery value chain has often attracted capital during periods of semiconductor sector weakness). As such, with May marking the end of the 1Q earnings season, it is difficult to rule out thematic rather than fundamental-driven price movements. A volatility-aware investment strategy appears prudent.	Samsung SDI

Source: Samsung Securities

May 2026 sector-by-sector overview ③

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Bio/ Healthcare**	Keunhee Seo	Global themes such as oncology therapeutics, obesity treatments, and AI-driven drug discovery should remain in focus in 2026. Companies that stand to benefit from rate cuts—and are likely to announce contract wins or positive clinical trial results—deserve close attention. At AACR 2026, multiple biotech companies presented positive clinical results. With other major academic conferences (*eg*, ASCO, EASL, ADA) approaching, we advise focusing on the underlying value of biotech firms, particularly those with scalable pipelines/platforms, clinical momentum, or those with the high potential for signing out-licensing deals. Concerns about potential oil-supply disruptions have triggered a sharp rise in oil prices, fueling inflationary pressure and weakening market expectations for rate cuts, reinforcing fears that interest rates will remain high. This environment can dampen investor sentiment towards interest-rate-sensitive sectors such as pharmaceuticals and biotech. Future developments in terms of oil prices and inflation require close monitoring. The US applies a 15% tariff on pharmaceutical imports from Korea, the EU, Japan, and Switzerland under existing trade agreements. Generics and biosimilars are exempt, with a scheduled review after one year. Rare disease medicines and certain other specialized drugs are also exempt if they are manufactured in these countries or if they are required to address urgent public health needs. Generics and biosimilars remain unaffected by tariffs, though their status will be reassessed in the coming year.	Hanmi Pharmaceutical, Celltrion
	Healthcare equipment	Donghee Jeong	We remain upbeat towards the medical aesthetics segment, which continues to deliver solid earnings growth. We suggest paying close attention to research equipment makers that are booking sales growth thanks to proprietary technology. These days, investors are prioritizing firms with an early-mover advantage and a market-dominant status (based on technological prowess or sales execution). Thus, companies that can consistently deliver durable, high-quality growth should be best positioned to outperform in 2026. Our top pick is Hugel, which is pursuing direct sales in North America and also expanding its domestic portfolio. We also like Curiosis and Tomocube—both are poised to benefit from rising demand for lab automation and organoid observation systems. If the Iran conflict drags on, air-freight costs to the Middle East should also go up. Near-term earnings growth at Hugel and PharmaResearch may slow, but the actual impact of higher air-freight costs on their earnings should be negligible, as: 1) import duties (on products exported from Korea) are borne by local distributors; and 2) Middle Eastern exports account for less than 5% of Hugel's total sales.	Hugel

Source: Samsung Securities

May 2026 sector-by-sector overview ④

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Machinery/ Defense**	Youngsoo Han	The broader machinery sector continues to benefit from a supportive macroeconomic environment. Power equipment manufacturers are well-positioned to capitalize on accelerating global energy diversification and electrification—trends that have intensified since the start of the Iran war. This has already triggered share-price rallies at global players. Similarly, rising defense spending amid heightened geopolitical tensions should boost demand for Korean military systems. However, repeated rallies have pushed valuations to lofty levels across the machinery sector. A selective, valuation-conscious approach is recommended. Within this context, we like Hyundai Rotem and Hyosung Heavy Industries as their valuations are not as demanding.	Hyundai Rotem
	Shipbuilding	Youngsoo Han	Global ship orders in 1Q rose 68% y-y, a strong performance despite the low base. Demand strengthened broadly across vessel categories, and Korea's leading shipbuilders delivered solid results, securing around 40% of their full-year order targets. While newbuilding price index rises have slowed, actual contract prices remain robust. When adjusted for forex rates, Korean shipbuilders' 2026 order prices have stayed on an uptrend. Qatar-related LNGC contracts are expected to hold firm thanks to: 1) high LNG freight rates; and 2) low contract prices. Strong demand is also anticipated from North America, where geopolitical risks have helped cut project delays—US LNG projects account for 66% of global LNG projects. LNGC demand from the Middle East, by contrast, remains modest at just 6% of total LNGC demand. A structural recovery in oil tanker demand is expected to emerge. Oil tanker freight rates, newbuilding prices, and order volumes were rising even before the Iran war broke out, underpinned by favorable supply-demand dynamics and expectations for a gradual resolution of the 'shadow fleet' issue. Furthermore, newbuilding price indices are likely to rebound, backed by renewed broker confidence, the exhaustion of Chinese shipyard delivery capacity, and Korea's growing share of new orders. Rising newbuilding and secondhand tanker prices should be increasingly reflected in official newbuilding prices. Nevertheless, the shipbuilding sector trades at a 44% discount to the broader industrial goods sector (based on 2026 P/E). We believe the discount will ease. The shipbuilding sector looks the most attractive within the industrial goods space.	HD Hyundai Heavy Industries

Source: Samsung Securities

May 2026 sector-by-sector overview ⑤

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Holding companies**	Sewoong Park	We believe the key determinant of equity valuations in the sector in 2026 will be: 1) the sustained profitability growth driven by subsidiaries and in-house businesses; and 2) the resulting enhancement in the predictability of capital allocation policies built upon this earnings momentum. Furthermore, if concrete legislative measures aimed at improving the capital market structure (*eg*, the prohibition of dual listings and initiatives to re-rate low P/B firms) are enacted, they could serve as broad sector-wide catalysts for holding companies. Our top pick in the sector remains CJ Corp. We expect CJ Corp to maintain its earnings growth trajectory in 2026, underpinned by its core subsidiary, CJ OliveYoung, which is set to benefit from: 1) profit growth (on the back of an increase in the number of inbound tourists); and 2) strong global sales expansion centered on North America. Additionally, CJ Corp should announce a new medium-term shareholder return policy in 2026, enhancing the predictability of capital returns to shareholders.	CJ Corp
	Chemicals	Hyunryul Cho	The chemicals sector benefited until March from weaker oil prices. However, global demand for chemicals continues to soften amid a US-led tariff war, while capacity additions—particularly for commodity products—are likely to accelerate next year. As a result, we expect downstream players' profitability to be more resilient through next year. A return to bullish conditions (as seen in 2018 and 2021) would likely require global ethylene capacity cuts of 22m-33m tonnes (vs the 2.5m tonnes of cuts that are currently underway). Meanwhile, the *de facto* closure of the Strait of Hormuz due to the Middle East war has triggered widespread disruptions in global crude/refining/chemical operations, with *force majeure* declarations increasing. Among the crude-refining-chemical value chain, price increases are likely to be the strongest in refining, followed by crude, and then chemicals. As a result, short-term refining margins are set to widen, while chemical margins should face tightening pressure. Our top picks in the chemical sector are KCC, SK Chemicals, and OCI Holdings. We favor companies relying less on oil-based feedstocks. KCC and SK Chemicals additionally boast shareholder value catalysts. OCI Holdings has the potential for enterprise value growth, driven by: 1) rising demand from non-Chinese solar customers, including Elon Musk's team; and 2) its planned capacity expansion (which is targeting completion by 2028).	KCC, SK Chemicals, OCI Holdings

Source: Samsung Securities

May 2026 sector-by-sector overview ⑥

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Oil Refining**	Hyunryul Cho	In refining, net capacity additions should prove limited as aging facilities in DMs continue to be shut down. Moreover tighter EU sanctions on Russia (effective from Jan 2026) should support Asian refined-product exports. Shifts in US EV policy could also cause global transport fuel demand to peak later than previously expected (*ie*, in 2029 rather than 2027). Meanwhile, the *de facto* closure of the Strait of Hormuz due to the Middle East war has triggered widespread disruptions in global crude oil, refining, and chemical operations, with *force majeure* declarations now accelerating. Among the crude-refining-chemical value chain, price increases are likely to be strongest in refining, followed by crude, then chemicals. As a result, short-term refining margins are likely to widen, while chemical margins face tightening pressure. Our top pick in the refining sector is S-Oil. It is likely to deliver a strong operating profit in 1H, because the Middle East war has made crude oil and refined products harder to get (which should result in favorable inventory effects and margin improvements).	S-Oil
	Cosmetics	Kayoung Lee	We recommend focusing on K-food companies that have expanded beyond the domestic market to tap into global opportunities. Among K-food categories, K-spicy stir-fried noodles have been expanding into markets such as the US, Europe, and China, where similar products were previously unavailable. As the category is still in the early stages of growth with many untapped markets remaining, we advise investing in Samyang Foods, the market leader, which is currently benefiting from first-mover advantages. The stock recently corrected due to concerns over declining profitability stemming from its increased exposure to the Chinese market. However, we see this decline as a buying opportunity, as Chinese sales are more profitable than domestic sales (which have an operating margin of around 0%). Moreover, as its overall sales climb, fixed-cost leverage effects should improve, ensuring that profitability remains strong this year despite its rising Chinese revenue portion.	Samyang Foods
	Food & Beverage	Kayoung Lee	In 2026, K-beauty is poised to see a resurgence in US exports, accelerated growth in Europe, and a full-blown hike in Middle East exports, driven by intense growth in offline distribution. The primary beneficiaries of this should either be the most popular brands (such as APR) or export-focused distributors (such as Silicon2) that curate and sell only the most sought-after brands. We expect Silicon2's operating profit to grow 43% in 2026, led by increasing SKU counts in Europe (its SKU count there is 25% of the level in the US), significant growth in partnerships with large retailers in the US, and the start of warehouse operations in the Middle East. Despite recent share-price gains, Silicon2's valuation remains attractive, standing at a 12-month forward P/E of 13x, positioning it as a top pick for sector rotation when industry-wide buying momentum returns. APR stands out for its superior market-sensing capabilities—identifying trends in real time—and its ability to quickly translate those insights into new products. Unlike brands that rely on a single hit product, APR continuously elevates new offerings to bestseller status, ensuring stable revenue. With its operating profit projected to grow 94% in 2026, the firm's valuation also remains compelling, trading at a12-month forward P/E of 25x.	APR, Silicon2

Source: Samsung Securities

May 2026 sector-by-sector overview ⑦

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Construction**	Jaejun Heo	The construction sector is navigating a mixed landscape. Positives include expanded order pipelines (relating to nuclear power, the energy transition, and reconstruction work), while headwinds include demanding valuations following recent rallies. While new-order momentum remains fundamentally sound, we advise taking a selective approach, focusing on constructors with solid earnings and reasonable valuations. Samsung E&A remains our top pick, as the firm is still attractive in comparison with its global EPC peers. We also like HDC Hyundai Development and DL E&C given their attractive earnings and valuations.	Samsung E&A
	Media/ Entertainment	Minha Choi	The entertainment sector recently corrected as BTS's comeback and new-album release triggered profit taking. However, increasing activities by popular rookie artists over May-June should demonstrate the sector's growth potential and alleviate investor concerns. YG Entertainment stands out, as Big Bang: 1) should embark on a global tour in August; and 2) has confirmed a new album release. In 2H, close monitoring of earnings contributions by Big Bang, BabyMonster, Treasure, and a new artist (scheduled to debut in autumn) is advised. For the media sector, the recovery of the broadcasting and advertising market has been slower than anticipated due to macroeconomic headwinds, hurting near-term sentiment. Nevertheless, the underlying recovery trend remains intact. Increasing content production volume is likely to result in improved earnings at content production companies. CJ ENM deserves investors' attention on the improving performance of the content business and the growth potential of the music unit.	YG Entertainment, CJ ENM
	Internet/ Software	Donghwan Oh	In 2026, the internet/software sector should investor attention as expectations grow for progress on the Digital Asset Basic Act. While the Financial Services Commission's proposal has been delayed due to coordination with the Bank of Korea, the Democratic Party plans to finalize its stance after the June local elections and submit a bill to the National Assembly. If the party's more aggressive version passes, it could provide greater clarity on the issuance of won-pegged stablecoins, potentially supporting valuations for companies such as Naver and Kakao, which firms have related exposure. In addition, the government's investigation and regulatory scrutiny of Coupang is likely to be prolonged, which could benefit its competitors (*eg*, Naver Shopping) and provide further support for their share performance.	Naver, Kakao

Source: Samsung Securities

May 2026 sector-by-sector overview ⑧

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Securities brokers**	Jeong Mingi	Since the start of April, the average daily trading value has been around KRW60t, a modest decline from March's KRW68t. However, given the gradual easing of geopolitical risks and firms' resilient 1Q earnings (particularly in the semiconductor sector), market activity could quickly pick up. Any pullbacks should be used an opportunity to increase exposure to the brokerage sector, which sector's fundamentals are underpinned by medium-term positives. While higher trading volumes would benefit all securities firms, we maintain Korea Investment Holdings (KIH) as our top pick given its differentiated profitability (thanks to its non-brokerage businesses such as investment banking and trading).	Korea Investment Holdings
	Banks	Jaewoo Kim	Banks' 1Q earnings improved at: 1) banking operations, on rising NIM, loan growth, and stable loan-loss provisioning (following earlier deleveraging); and 2) non-banking operations, as securities brokers recorded sharp profit growth driven by a strong stock market. Losses related to their real-estate finance operations began to ease. Earnings growth at banks' banking and non-banking operations is lifting their ROE. In 1Q, KB Financial Group's non-banking units generated 43% of its operating profit, lifting its ROE to 14%—demonstrating how financial groups are distinguishing themselves amid money movements. This momentum ultimately supports the potential for higher shareholder returns and a re-rating of P/B multiples. We still like bank stocks. Banks remain attractively valued, with: 1) earnings improvements being driven by a cyclical recovery; and 2) continued commitments to higher shareholder returns likely to support a valuation rebound	KB Financial Group, Hana Financial Group
	Telecom	Minha Choi	The telecom sector is undergoing a re-rating, supported by stable earnings and attractive shareholder returns. Once viewed as a defensive industry, it is now increasingly recognized as a growth-oriented one (amid strategic investments tied to the global AI ecosystem). As the sector's earnings should normalize this year, expectations are growing for the resumption of dividends and expansion of shareholder returns. Longer-term growth should be underpinned by structural upgrades in AI-enabled infrastructure. SK Telecom warrants attention. As its AI initiatives are delivering measurable outcomes, it should enjoy the strongest earnings momentum in the sector in 2026, and it is widely expected to return more to shareholders.	SK Telecom

Source: Samsung Securities

May 2026 sector-by-sector overview ⑨

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Positive	**Games**	Donghwan Oh	Amid rising macroeconomic uncertainties, the gaming sector is being reassessed as a resilient, low-sensitivity business that is mostly insulated from fluctuations in oil prices, forex rates, and inflation. Favorable tailwinds—including the expansion of in-house payment systems, reduced app store commission rates, AI-driven operational efficiencies, the success of AAA titles, and regulatory easing for web-based board games—should collectively lift industry-wide profitability. Stronger shareholder return policies by major players have further elevated the sector's investment appeal. Moreover, upcoming title launches (such as Red Desert (Pearl Abyss), Dissidia Duellum Final Fantasy (NHN), and Seven Deadly Sins: Origin (Netmarble)) are expected to result in the firms reporting solid 2Q results. We suggest focusing on the companies that are set to enjoy earnings improvement and new-title momentum in 2H.	NCsoft
	Apparel	Hyein Lee	Brands – Retail demand in the domestic and international apparel markets continues to grow at a robust pace. Accordingly, we expect domestic brand companies to achieve modest sales growth in 2026. Among them, Gamsung Corporation is likely to significantly expand and solidify its performance in China, driven by the Snow Peak brand. OEMs – Profitability differentiation among OEM manufacturers is expected to widen further in 2026, with Youngone Corp, which has secured premium brands as clients, poised to outpace its peers in terms of profit growth. However, if geopolitical risks originating from the Middle East persist, rising apparel raw-material costs are likely to raise cost pressure for OEMs in 2H.	Gamsung Corp, Youngone Corp
	Retail	Jaeseung Baek	Although financial market volatility increased in March due to the US-Iran conflict, department stores continued to show relatively strong sales momentum, supported by: 1) the low base (1H25); and 2) sustained growth in foreign visitor spending. In particular, Shinsegae is expected to maintain its relative sales outperformance, given its high sales portion of luxury goods. Similar to Japanese department stores, whose valuations re-rated over 2022-2024 amid the yen's depreciation and rising sales to foreign visitors, Shinsegae's valuation is poised to re-rate.	Shinsegae

Source: Samsung Securities

May 2026 sector-by-sector overview ⑩

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Neutral	**REITs**	Kyungja Lee	Despite rising interest rates, a significant number of REITs still have the ability to refinance loans at low rates. Stocks in sponsor-type REITs that have superior capital-raising capacity, scalability, and stability are set to outperform. In 2026, equity financing in the REIT sector is expected to be limited, aside from KB Star REIT's recent completion of a KRW100b capital raise, helping to alleviate shareholder dilution concerns. As portfolio rebalancing accelerates, REITs are increasingly acquiring hotel assets, with earnings from these assets directly boosting dividend payouts. Rising inbound tourism has driven substantial increases in hotel ADRs, enhancing REITs' capacity to distribute dividends. The strategic shift by REITs towards growth-oriented strategies has been pronounced in the sector. Meanwhile, the amended Act on Public-Private Partnerships in Infrastructure, now enacted, permits infra funds to increase their debt-to-equity ratio to 100% (previously 30%), enabling the aggressive expansion of infra assets through leverage. Data centers are emerging as a key target asset class, and REITs are increasingly focusing on regional, AI-specific facilities. And, KB Balhae Infrastructure, after a prolonged evaluation, now believes there is good chance it will join its affiliates in the GTX-C project, following the recent approval of more project funding—opening the door to new asset additions and higher dividends.	KB Balhae Infrastructure Fund
	Transportation	Youngho Kim	Shipping (Hyundai Glovis): The SCFI jumped from 1,333 at end-February to around 1,700 points following the outbreak of the Iran conflict and now stands over 1,850. The BDI has held firm at around 2,675, significantly higher than where it was one year ago. Longer term, the industry faces oversupply risk as containership and bulk carrier deliveries are likely to outpace demand growth. Hyundai Glovis's PCC business is performing well on robust vehicle exports by China. Its PCC earnings are likely grow further, driven by: 1) rising orders from non-captive clients; and 2 more-efficient fleet management, with fewer short-term chartered vessels. While its earnings growth is on track, the pace of growth remains insufficient to meet the company's 2026 ROE target. Thus, the company may increase its dividend payouts. Airlines (Korean Air): Korean Air has emerged as a mega-carrier following its merger with Asiana Airlines, and it now controls around 80% of international passenger traffic (if including its low-cost carrier subsidiaries) in Korea. Over the long term, it is clear that the carrier will benefit from greater supplier leverage and economies of scale on international routes. Near term, however, profitability should remain affected by surges in jet-fuel prices (representing 30% of operating expenses) and currency volatility triggered by the Middle East conflict.	Hyundai Glovis

Source: Samsung Securities

May 2026 sector-by-sector overview ⑪

Outlook	Sector/Industry	Analyst	Key ideas	Top picks
Neutral	**Steel/Metals**	Jaeseung Baek	It is unclear whether statements coming from China's two important political events (held in March) will lead to more favorable domestic steel market conditions in the near term. That said, Korea's HRC distribution prices have been rebounding on the country's trade protection measures (implemented last year). On Apr 16, Korea also decided to impose anti-dumping duties on Chinese imports of color-coated steel products. Furthermore, domestic rebar prices are recovering, as domestic supply tightens following a surge in exports in 4Q25. This dynamic has created a near-term trading opportunity for Hyundai Steel, the only major Korean steelmaker with exposure to both HRC and rebar.	Hyundai Steel
	Payments	Jaewoo Kim	Payment companies are to release their 1Q results in early May. While the results are forecast to be solid, they may not be strong enough to trigger a re-rating of their stock prices. On the positive side, the growth rate in payment volume was likely high due to a low base (1Q25). However, operating margin likely stayed flat y-y, because most transactions still rely heavily on a few large platforms. Additionally, there is still concern that increased geopolitical risks could dampen domestic consumer spending. Meanwhile, Kakao Pay stands out in the payment sector. With the stock market rallying, Kakao Pay Securities is likely recording strong growth in terms of both trading volume and market share, with its interest income also likely rising. This should drive faster-than-expected profit growth in the coming quarters. If full-year profit consensus rises as a result of its announcing healthy 1Q results, investor sentiment should be positively affected.	Kakao Pay, NHN KCP

Source: Samsung Securities

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