COMPANY UPDATE

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Tech Team

Richard Moon
Senior Analyst
joonho.moon@samsung.com

Seungho Jeong
Research Associate
seungho1.jeong@samsung.com

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TES (095610)

Earnings strength supports valuation

- TES reported solid 1Q results.
- Its earnings should keep growing on the back of DRAM capex. New equipment-related momentum remains solid in 2H26.
- We raise our target price to KRW150,000 and reiterate BUY rating.

WHAT'S THE STORY?

1Q26 review: TES reported 1Q sales of KRW97.2b (down 17% q-q) due to: 1) small deliveries of DRAM equipment to domestic clients; and 2) a high base from the early recognition from SK Hynix's M15X sales and solid exports in 4Q25. Yet, operating profit came in at KRW22.2b (17.2% above consensus), for an operating margin of 22.8%. Gross margin exceeded our forecast by more than 2%pts probably on product-mix improvement (benefiting from a temporary rise in NAND-related sales).

2026 earnings outlook: We revise up our 2026 sales and operating profit forecasts by 6% and 5%, respectively, without altering our underlying assumptions. The topline growth should continue on domestic DRAM capacity expansion throughout the year. The firm will likely resume shipments to an overseas customer's new fab. Despite absence of new NAND capacity addition for a while longer, the full-year sales should expand on the continued upgrade to 9th generation V-NAND. Furthermore, the back side deposition (BSD) equipment momentum should remain solid in 2H26. Evaluations with existing customers across multiple applications are currently underway, targeting year-end deployment. If feedback is positive, this equipment could generate additional sales and position the company to gain more market share and enjoy strong momentum from next year.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW150,000	21.1%
Current price	**KRW123,900**	
Market cap	KRW2.4t/USD1.6b	
Shares (float)	19,360,000 (62.1%)	
52-week high/low	KRW123,900/KRW21,550	
Avg daily trading value (60-day)	KRW30.9b/ USD20.8m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
TES (%)	47.9	197.1	437.5
Vs Kosdaq (%pts)	39.3	124.0	233.5

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	150,000	110,000	36.4%
2026E EPS	5,069	4,692	8.0%
2027E EPS	5,785	5,641	2.6%

SAMSUNG vs THE STREET

No of estimates	6
Target price	112,833
Recommendation	4.0

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

SUMMARY 1Q RESULTS

(KRWb)	1Q26	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	97.2	15.0	-16.9	1.3	0.9
Operating profit	22.2	36.4	73.7	13.2	17.2
Pre-tax profit	28.8	87.7	93.1	32.7	37.6
Net profit	24.6	55.1	144.6	41.7	39.6
Margins (%)					
Operating profit	22.8				
Pre-tax profit	29.6				
Net profit	25.3				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	7.2	15.4	26.7
P/B	0.8	2.0	4.8
EV/EBITDA	5.9	12.5	20.8
Div yield (%)	3.9	1.9	0.8
EPS growth (% y-y)	2,623.8	33.7	60.9
ROE (%)	13.6	15.8	21.1
Per-share data (KRW)			
EPS	2,158	2,885	4,643
BVPS	18,843	22,611	25,962
DPS	600	850	1,000

Raising target price to KRW150,000 and maintaining BUY: Earnings momentum from DRAM capex remains robust, reinforcing investors' confidence in future profitability. While the firm's NAND equipment sales growth is slower than DRAM's, it's still expanding, we no longer see any reason for the stock to trade at a discount solely due to its low exposure to DRAM—unlike in the past. The stock now deserves a re-rating. We revise up our target multiple to 29x 2026 P/E (in line with its peer Eugene Technology's multiple) and increase our target price to KRW150,000, reflecting the revised earnings estimates.

Summary income statement

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Sales	**84.5**	**82.1**	**67.6**	**117.0**	**97.2**	**110.8**	**115.6**	**124.0**	**351.1**	**447.6**	**520.6**
Growth (% y-y)	100.4	35.6	33.0	35.1	15.1	35.0	71.0	6.0	46.3	27.5	16.3
Growth (% q-q)	-2.4	-2.9	-17.7	73.1	-16.9	13.9	4.3	7.3			
Cost of goods sold	61.7	54.9	52.0	90.4	67.6	78.7	79.7	93.0	259.0	319.0	367.8
Gross profit	**22.8**	**27.2**	**15.5**	**26.5**	**29.7**	**32.1**	**35.9**	**31.0**	**92.1**	**128.6**	**152.8**
Gross margin (%)	27.0	33.1	23.0	22.7	30.5	28.9	31.0	25.0	26.2	28.7	29.3
SG&A expenses	6.6	6.8	7.1	13.8	7.5	7.3	7.5	8.7	34.3	30.9	33.3
Operating profit	**16.3**	**20.4**	**8.4**	**12.8**	**22.2**	**24.8**	**28.4**	**22.3**	**57.8**	**97.7**	**119.4**
Operating margin (%)	19.3	24.8	12.5	10.9	22.8	22.3	24.6	18.0	16.5	21.8	22.9
Non-operating profit	-0.9	1.3	5.5	2.1	6.6	2.1	2.0	2.1	7.9	12.8	8.8
Pre-tax profit	**15.3**	**21.6**	**13.9**	**14.9**	**28.8**	**26.8**	**30.4**	**24.4**	**65.8**	**110.4**	**128.2**
Pre-tax margin (%)	18.2	26.4	20.6	12.7	29.6	24.2	26.3	19.7	18.7	24.7	24.6
Net profit	**15.9**	**18.9**	**12.1**	**10.1**	**24.6**	**21.5**	**24.3**	**19.6**	**56.9**	**89.9**	**102.6**
Net margin (%)	18.8	23.0	17.9	8.6	25.3	19.4	21.0	15.8	16.2	20.1	19.7
EPS (KRW)	**904**	**1,077**	**690**	**572**	**1,386**	**1,210**	**1,370**	**1,103**	**3,244**	**5,069**	**5,785**
Growth (% y-y)	129.9	46.3	385.9	-50.6	53.3	12.3	98.5	92.7	33.4	56.2	14.1
Growth (% q-q)	-22.0	19.1	-36.0	-17.0	142.1	-12.7	13.2	-19.5			

Source: Company data, Samsung Securities estimates

Sales, by segment

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2025	2026E	2027E
Semiconductor	84.2	81.8	67.3	110.5	96.8	110.4	115.2	121.0	343.7	443.4	515.2
Display	0.3	0.3	0.3	6.5	0.4	0.4	0.4	3.0	7.4	4.2	5.4
Total	84.5	82.1	67.6	117.0	97.2	110.8	115.6	124.0	351.1	447.6	520.6
Share (%)											
Semiconductor	99.6	99.6	99.6	94.4	99.6	99.6	99.7	97.6	97.9	99.1	99.0
Display	0.4	0.4	0.4	5.6	0.4	0.4	0.3	2.4	2.1	0.9	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Growth (% y-y)											
Semiconductor	101.0	35.5	32.9	32.1	15.0	35.0	71.1	9.5	45.3	29.0	16.2
Display	9.5	58.7	68.1	120.5	28.2	28.6	46.0	-53.9	106.0	-43.2	27.4
Total	100.4	35.6	33.0	35.1	15.1	35.0	71.0	6.0	46.3	27.5	16.3
Growth (% q-q)											
Semiconductor	0.6	-2.9	-17.7	64.2	-12.3	14.0	4.3	5.0			
Display	-89.4	-0.3	-11.9	2,273.4	-93.8	0.0	0.0	650.0			
Total	-2.4	-2.9	-17.7	73.1	-16.9	13.9	4.3	7.3			

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Sales	**147**	**240**	**351**	**448**	**521**
Cost of goods sold	134	176	259	319	368
Gross profit	**13**	**65**	**92**	**129**	**153**
Gross margin (%)	8.7	26.9	26.2	28.7	29.3
SG&A expenses	19	26	34	31	33
Operating profit	**-6**	**38**	**58**	**98**	**119**
Operating margin (%)	-4.0	16.0	16.5	21.8	22.9
Non-operating gains (losses)	**8**	**11**	**8**	**13**	**9**
Financial profit	11	17	19	33	23
Financial costs	3	4	9	21	13
Equity-method gains (losses)	0	0	0	0	0
Other	0	-1	-2	1	-1
Pre-tax profit	**2**	**50**	**66**	**110**	**128**
Taxes	1	7	9	21	26
Effective tax rate (%)	31.0	14.4	13.5	18.6	20.0
Profit from continuing operations	2	43	57	90	103
Profit from discontinued operations	0	0	0	0	0
Net profit	**2**	**43**	**57**	**90**	**103**
Net margin (%)	1.1	17.8	16.2	20.1	19.7
Net profit (controlling interests)	2	43	57	90	103
Net profit (non-controlling interests)	0	0	0	0	0
EBITDA	0	44	66	108	131
EBITDA margin (%)	-0.3	18.4	18.7	24.2	25.1
EPS (parent-based) (KRW)	89	2,432	3,244	5,069	5,785
EPS (consolidated) (KRW)	89	2,432	3,244	5,069	5,785
Adjusted EPS (KRW)*	89	2,432	3,244	5,069	5,785

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Current assets	**194**	**183**	**215**	**312**	**398**
Cash & equivalents	21	12	12	104	172
Accounts receivable	6	35	26	28	32
Inventories	53	41	43	46	47
Other current assets	114	95	134	134	146
Fixed assets	**128**	**198**	**272**	**288**	**292**
Investment assets	50	71	117	117	117
Tangible assets	59	110	136	142	147
Intangible assets	5	5	5	5	5
Other long-term assets	13	13	14	24	24
Total assets	**322**	**381**	**487**	**600**	**691**
Current liabilities	**21**	**37**	**48**	**98**	**104**
Accounts payable	10	13	1	41	47
Short-term debt	0	6	6	6	6
Other current liabilities	11	18	41	51	51
Long-term liabilities	**2**	**13**	**48**	**41**	**41**
Bonds & long-term debt	0	10	46	39	39
Other long-term liabilities	2	3	2	2	2
Total liabilities	**23**	**51**	**96**	**139**	**145**
Owners of parent equity	**299**	**331**	**392**	**460**	**545**
Capital stock	10	10	10	10	10
Capital surplus	57	57	64	64	64
Retained earnings	281	320	356	423	508
Other	-50	-57	-39	-36	-36
Non-controlling interests' equity	**0**	**0**	**0**	**0**	**0**
Total equity	**299**	**331**	**392**	**460**	**545**
Net debt	-87	-48	-61	-142	-222

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025	2026E	2027E
Cash flow from operations	**29**	**31**	**82**	**94**	**102**
Net profit	2	43	57	90	103
Non-cash profit and expenses	-2	6	23	11	11
Depreciation	5	5	7	10	11
Amortization	1	1	0	0	0
Other	-8	-0	15	0	0
Changes in A/L from operating activities	30	-25	-4	-6	-12
Cash flow from investments	**-35**	**-50**	**-118**	**13**	**-16**
Change in tangible assets	-17	-55	-33	13	-16
Change in financial assets	-69	16	-52	0	0
Other	51	-12	-33	0	0
Cash flow from financing	**-7**	**10**	**36**	**-16**	**-18**
Change in debt	-0	16	41	-1	0
Change in equity	0	0	7	0	0
Dividends	-9	-9	-11	-15	-18
Other	2	3	-1	0	0
Change in cash	-13	-9	0	92	69
Cash at beginning of year	34	21	12	12	104
Cash at end of year	21	12	12	104	172
Gross cash flow	**-1**	**48**	**80**	**101**	**114**
Free cash flow	**11**	**-24**	**50**	**80**	**86**

Financial ratios

Year-end Dec 31	2023	2024	2025	2026E	2027E
Growth (%)					
Sales	-59.0	63.4	46.3	27.5	16.3
Operating profit	nm	nm	50.3	68.9	22.3
Net profit	-96.7	2,623.8	33.4	57.9	14.1
Adjusted EPS**	-96.6	2,632.6	33.4	56.2	14.1
Per-share data (KRW)					
EPS (parent-based)	89	2,432	3,244	5,069	5,785
EPS (consolidated)	89	2,432	3,244	5,069	5,785
Adjusted EPS**	89	2,432	3,244	5,069	5,785
BVPS	17,040	18,843	22,323	25,962	30,747
DPS (common)	500	600	850	1,000	1,100
Valuations (x)					
P/E***	225.8	6.4	13.7	24.2	21.2
P/B***	1.2	0.8	2.0	4.7	4.0
EV/EBITDA	n/a	5.8	12.4	20.6	16.5
Ratios (%)					
ROE	0.5	13.6	15.8	21.1	20.4
ROA	0.5	12.1	13.1	16.5	15.9
ROIC	-3.0	21.5	25.8	40.6	49.7
Payout ratio	560.1	24.7	26.5	19.7	19.0
Dividend yield (common)	2.5	3.9	1.9	0.8	0.9
Net debt to equity	-29.0	-14.4	-15.6	-30.8	-40.8
Interest coverage (x)	-399.1	490.4	91.2	60.8	75.9

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

Source: Company data, Samsung Securities estimates

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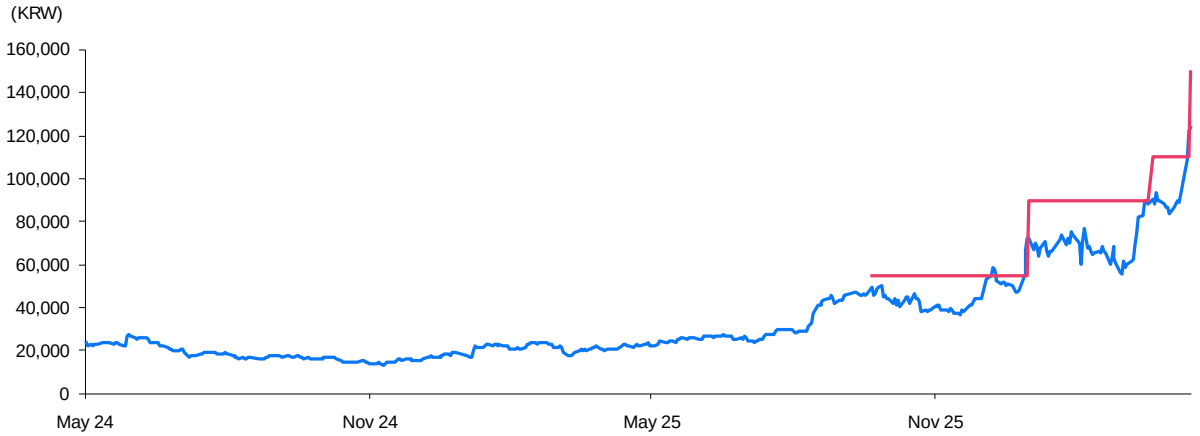
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2025/10/20	2026/1/30	4/20	5/14
Recommendation	BUY	BUY	BUY	BUY
Target price (KRW)	55000	90000	110000	150000
Gap* (average)	-17.44	-23.44	-15.05	
(max or min)**	30.91	0.11	11.36	

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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Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

For more information,
please call our sales representatives:

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
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